ISBN: 978-93-91768-42-3

Pharma Marketing Management

As per PCI Syllabus

Authors:
Dr. Deepak S. Bhambere
Dr. Sapana P. Ahirrao
Dr. Rani S. Kankate
Dr. Umesh D. Laddha

Bhumi Publishing

Pharma Marketing Management

(As per PCI Syllabus)

ISBN: 978-93-91768-42-3

Authors

Dr. Deepak S. Bhambere

Assistant Professor,

Department of Pharmaceutics,

MET's Institute of Pharmacy, Nasik

Dr. Sapana P. Ahirrao

Assistant Professor,

Department of Pharmaceutics,

MET's Institute of Pharmacy, Nasik

Dr. Rani S. Kankate

Assistant Professor,

Department of Chemistry,

MET's Institute of Pharmacy, Nasik

Dr. Umesh D. Laddha

Assistant Professor,

Department of Pharmaceutics,

MET's Institute of Pharmacy, Nasik

First Edition: 2021

ISBN: 978-93-91768-42-3

Published by:

Bhumi Publishing,

Nigave Khalasa, Kolhapur 416207, Maharashtra, India

Website: www.bhumipublishing.com

E-mail: bhumipublishing@gmail.com

Book Available online at:

https://www.bhumipublishing.com/books/

PREFACE

It gives us great pleasure and privilege to present book on Pharma Marketing Managements which is based on new PCI syllabus.

In last few decades Indian Pharma sector has grown significantly in comparison to any other sector. Pharm field specially provides more emphasis on health of individual. We have not only satisfied the need of Indian market but also tried to fulfil the requirements of around the globe by exporting bulk drugs as well as formulations which are of desired standards.

Every company wants to enter in market and earn good profit. There is possibility of entry of alike products at a same time in market which may affects the profit and survival of the product. Success of any product under such competitive market is depends on two major factors as 'market analysis' and 'marketing strategies'.

This book does not merely cover the syllabus but actually uncovers the strategies of marketing of Pharma products. We tried to maintain language as simple as possible. We have also tried to cover information in much more depth in order to ensure that reader will be benefited for competitive exams preparation.

This book will be helpful for pharmacy students, community pharmacist, and academician as well as to industrial person.

We hope that this book will be appreciated and accepted by all Institutes, students and by all those peoples which are directly or indirectly associated with Pharmacy profession. There may be few mistakes and deficiencies, we will be grateful if readers point out them and revert to us. Also we will welcome any suggestions from your side.

\- **Authors**

ACKNOWLEDGMENT

We wish to express my gratitude to Hon. Shri Chhagan Bhujbal, Founder Chairman Mumbai Education Trust, Hon. Samir Bhujbal and Hon. Pankaj Bhujbal, Trustee, Mumbai Education Trust for providing ambient environment to write this book. We are sincerely thankful to Dr. Shefali Bhujbal, Chief administrator, MET's Bhujbal Knowledge City, Nasik for support and motivation.

We are also thankful to our dynamic Principal Dr. Sanjay Kshirsagar, MET's Institute of Pharmacy, Nashik for endless motivation and guidance.

I am very thankful to the team of Bhumi Publication for bringing this book in Market. We also acknowledge to all those people who directly and indirectly helped me.

- **Authors**

Chapter 1: Marketing

Learning Objectives:

After completion of this lesson, students should able to

- Define marketing and general concepts in marketing
- Scope of marketing;
- Distinguish between marketing & selling;
- Marketing environment;
- Industry and competitive analysis;
- Consumer buying behaviour and industrial buying behaviour

1. Introduction:

The economic life of any business is depending on production and marketing of goods and services. Organizations works onbothkey functions to fulfil their commitments to their stakeholders. Thegoal of any manufacturer is to produce a zero-defect product and satisfy need of consumers. Only manufacturing a product never creates the need of buying that product in to mind of consumers. Hence, marketing plays a crucial role in sale of products. In general, marketing focuses on satisfying consumer demands. "*Marketing is all about creating a need in mind of consumers and satisfying that need: Philip Kotler"*

The success of business is not only depending on producer, but also depends on consumers. Marketing is one of primordial art which plays role directly or indirectly in all business. *It is the business function that point-outs need of the market along with market potential and targeted customer segment which will give better position to a company.* One must remember that marketing the product is never ending process. To stand in market and to survive in competition, the organization must create new customers. The profit of business depends on creating new consumers. Hence, marketing is an endless race.

Role of marketing manager is again very important as it creates customers to the organization.

Definitions and terminologies:

> "*Marketing is not the art of finding clever ways to dispose of what you make. It is the art of creating genuine customer value*"
>
> Philip Kotler

> "The aim of marketing is to know and understand the customer so well the product or service fits him and sells itself"
>
> Peter Drucker (the father of management)

- Marketing is the blend of social and managerial process by to satisfy the requirement of individuals and groups at good profit.
- Marketing is the process to relate creativity, productivity and profitability.
- It is the way to deliver right goods and/or services to right person with right promotion.
- Marketing is the booster for business performance that directs the flow of product to end customer.
- Marketing is the way to deliver product to target customer with the mutual gain.
- Marketing looks at the entire business process as a highly integrated effort to satisfy the target.

The pharmaceutical marketing is no different from this. It is all about creating prescription for your product. The only difference in marketing of other product and pharma marketing is the consumer. In other products marketing, the consumer or customer is the user of the products. But in case of pharma marketing the customer is physician or doctors who direct end user to buy pharmaceutical products. So here, doctor who writes the prescription will be taken in consideration while designing marketing strategies. Hence, the pharmaceutical marketing efforts are concentrated to influence and educate doctors about your products.

1.1. Scope of Marketing:

The scope of marketing includes the entire thing that covered in marketing. Scope of marketing starts from the generation of idea till the profit from the product.

The scope of marketing is as follows:

Products and Services	• Products and Service are the basic element of marketing. If there is no product there is no marketing. It is concerned with the nature and type of products, product quality and design, product planning and development, product decisions relating to branding, labelling, packaging, trademarks etc.
Marketing Research	Though products and services were the starting point under traditional marketing, modern marketing starts with an analysis of the various aspects of market and related areas. It includes an analysis of nature and types of customers, size of market, customer attitude, buyer behaviour etc. An in-depth analysis of customers and markets is a prerequisite for every marketer to have a successful marketing.
Channel of Distribution	The pathway through which the goods move from producer to consumer is the channel of distribution. It includes a number of intermediaries like wholesaler, retailers, jobbers etc. Channels by moving the goods help in transferring the ownership of goods from seller to buyer
Physical Distribution	The physical movement of the goods from producer to consumer is physical distribution. It includes transportation, warehousing, inventory control and management, order processing etc.
Promotional Decisions	Howsoever good a product is, it has no value if it is not properly promoted. Promotion has the basic objective of informing the market about product availability and creating a demand for it. Different promotional tools are there like advertising, sales promotion, personal selling, publicity, public relations etc.
Pricing Decisions	This is the only element of marketing which generates revenue for the firm. Pricing is concerned with pricing policies and strategies, price determination, discounts, commissions etc.
Environmental Analysis	An analysis of the environment in which the business is to be carried out is the first step for any organisation. The various macro and micro factors should be studied beforehand only to develop an understanding of the strength, weaknesses, opportunities and threats, for an organization.
Feedback from Customers	For successful marketing of goods, it is essential that the marketer obtains the required feedback from customers. A proper feedback mechanism should be developed so that reasons for failure or less satisfaction may be identified and improvements in the products be made.

1.2. Marketing and Selling

Many people mistake marketing with selling. Difference between them given in table below:

Marketing	Selling
Marketing is broader terminology and includes number of activities.	Selling is one of the activities or steps in overall marketing process.
Selling is act of convincing or influencing a customer to buy the product or service. For example, to sell a pain relief spray by retailer to consumer in exchange of money is selling.	Marketing process helps the selling of products. The consumers ask for particular brand of pain relief spray from available brands is function of marketing.
Selling focuses on the needs of the seller	Marketing on the needs of the buyer
Selling is preoccupied with the seller's need to convert his product into cash	Marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering and finally consuming it.

'Don't tell me how good your product is, but tell me how good it will make me'.

Henceforth; to make selling more effective, one need to perform good marketing with activities like

- Assessment
- Marketing research
- Product development
- Pricing and distribution.
- Advertisement

If marketing team works properly then product will sell easily.

1.3. Marketing Environment

A company's marketing environment includes all the causes that help to maintain business as well as relation between company and targeted customers. Factors influencing the business are divided into two parts as internal and external.

Internal factors	External factors
These are controllable factors	These are beyond the control of a company
Examples. personnel, physical facilities, marketing-mix etc.	Examples. economic factors, socio-cultural factors, government and legal factors, demographic factors, geophysical factors, etc.

Based on the factors affecting business, marketing environments are broadly classified in to two categories.

a) The microenvironment

These are the factors associated with company's immediate environment that controls the knack of marketers to serve their consumers. It includes following factors;

1. Suppliers: It includes anyone who supply the required material to the company. Company should identify and work with more than one supplier in order to avoid any emergency and unpredicted circumstances which interns may hamper the company production rate.

2. Customers: As discussed earlier, in order to stand in market for longer time and to compete, major task of organization is to create new customer and sustain older customers. Monitoring of the customers is one of the crucial aspect to maintain and uplift any business. Targeted consumers may include individuals as well as any another. In order to sustain in market, any company should target the large customers.

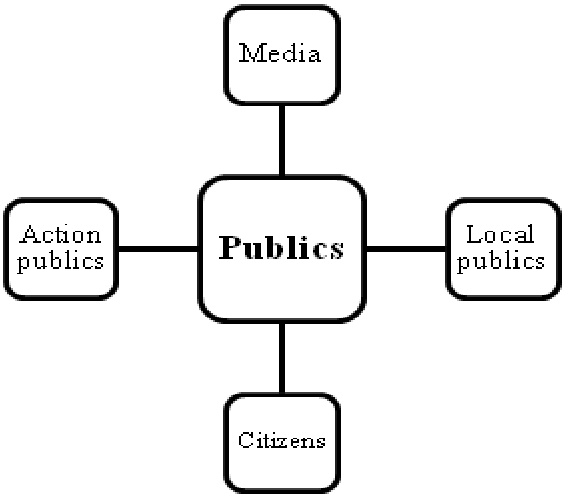
3. Competitors: This term is not only restricted for the any manufacturer or supplier of similar product but also covers all those who directly or indirectly target the customers for some optional income. For example, the competition for a company making antacid tablets may come not only from other antacid tablets manufacturers but also from antibiotic tablets manufacturers, antacid suspension manufacturer, etc. Such alternatives which satisfy a category of desire are called generic competition.

4. Marketing intermediaries: It includes all those who help to company for product promotion, distribution and selling to the end consumer. It also plays decisive role in overall business and profit to the company. It is again recommended to have number of distribution channel in order to maintain supply chain.

5. Public:

> **"A public is any group that has actual or potential interest in or impact on an organisation's ability to achieve its interests".**

Many times company experience notable effect of 'public' factor on business e.g. one of the leading company ends with bringing down the share price of the company by ruining image. Company also get affected by local publics such as environmental pollution. Moreover; action by local publics also affects the business of company but not always.



Macro environment

Overall performance of company it depends on both microenvironment forces as well as macro-environment forces. It is more uncontrollable factor which may be boon or threat for company.

The macro environmental forces are as follow;

1. Economic environment: Economic conditions, economic policies and the economic system are the important external factors that constitute the economic environment of a business.

Country in which business is located is also matters a lot in overall development of business. Economical structure of nation including but not restricted for economy nature, income level, distribution of income, resources for development are the significant factors to set business strategies.

A country with increasing economy is the best place for any business growth. As person income increases, demand for product also increases. Economic policies of any country affect to business in different way. It benefits one business at a time and negatively affects another.

Government economic policy has a very strong impact on business. Some types of businesses are positively affected by government policy; others are negatively affected, while others are neutral.

The scope of a private business depends, to a large extent, on the economic system. On the one hand, there is the free market economy, or the capitalist economy, and on the other, the centralized economy or the Communist economy. Between the two extremes is a mixed economy.

2. Political and Government environment: Political and government environment has a close relationship with the economic system and economic policy. Every country wishes to protect the staying population by ensuring quality of product. Henceforth; all government maintain stringent regulation by implementing number of laws which need to be consider while performing any business.

3. Socio-cultural environment: For any successful business, one should always focus on socio-culture environment. It includes following aspects;

- Customs
- Traditions
- Taboos
- Tastes
- Preferences

While starting any business one should always focus on appropriate policies based on concept of socio-cultural environment.

4. Demographic environment: Product demand and ultimately sale depends mainly on demographic environment. It includes factors like educational level, sex composition, age, growth rate, population etc. Marketing of product or service in the area with appreciable growth rate and more young population is easy than in any another country.

Example: Marketing of baby product in country with increase in population like India will always lead to good business. On the other hand, marketing of such product in country like United State where birth rate is low will not earn good profit.

5. Natural environment: Geographical and ecological factors also affect to success of any business. It includes following factors;

- Natural resources endowments
- Weather and climate conditions
- Topographical factors
- Location aspects in the global context
- Port facilities

Location of certain industries also dependent on geographical and ecological factors as well as on climate and weather conditions.

Example: industries with high material index located near the raw material sources.

6. *Physical facilities and technological environment:* Development and ultimately stability of business depends on physical facilities and technological environment.

Example: Television sale depends on coverage of telecasting

7. *International environment:* The international environment is very important for business which is directly depends on exports and/or imports.

Example: a recession in foreign markets or the adoption of protectionist policies may help the export-oriented industries.

International bodies like WTO, IMF, WHO, ILO etc. already showed impact on many countries, especially India.

1.4. Industry and Competitive Analysis in Strategic Management

An organizational strategy is affected by the structural characteristics. It is thus considered essential to make a detail analysis of the industry in which the firm operates its business. As per on Michael Porter, suppliers, buyers, direct competitors, new entrants and substitutes are the main pillars pf industrial structure. One must focus on industry structure with proper strategy. After the external environmental analysis, company should focus on industry analysis which may help to obtain proper information about future happening of industry. Every business should perform analysis of Strengths, weaknesses, opportunities and potential threats in market (SWOT Analysis). Establishment of any industry and progress it depends on ability of company to face the completion. The competitive intensity affects business operation significantly. Henceforth; industry should review and set competitive intensity. No organizations can expect good strategy-making without a detailed analysis of industry environment.

Analyse Competition in an Industry

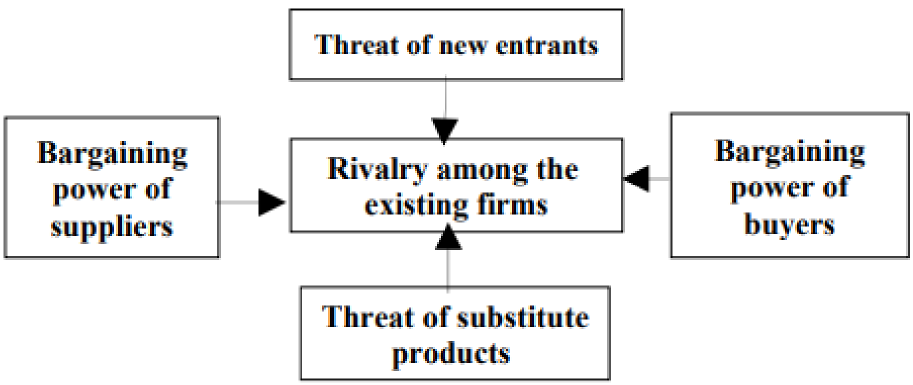


Figure 1: Michael E. Porter's five forces model for competitive analysis

For analysis of industry environment and competition majority of industries follows the Michael Porter's Five Forces Model which provides a framework to identify SWOTs.

Significant factors affecting the industry growth in context with competition are shown in figure 1.

You will find that there are five factors or forces that shape competition in an industry. These are:

(i) Threat of new entrants;

(ii) Bargaining power of suppliers;

(iii) Bargaining power of buyers;

(iv) Threat of substitute products; and

(v) Rivalry among the existing firms.

1. Threat of New Entrants: When potential competitors launch a new product, it creates threats to the business. Some competitors are already operating their businesses are called existing competitors. Potential competitors can enter into market and can take away the market shares which create threats to existing companies (present companies). Thus, existing companies depress possible competitors from inflowing into the market by creating ‘barriers to entry’. These are some measures taken by existing companies that are very costly for the new competitors to adopt. Sometimes, whenever the risk after entry of potential competitors is not significant, existing company increases price of product and enjoys higher profits.

2. Bargaining Power of Suppliers: any Industry has to obtain raw materials, components and parts from the suppliers. If any company is more dependent on any supplier, then supplier increases his/her bargaining power. Henceforth; any company should not relay on single supplier.

3. Bargaining Power of Buyers: Product or service buyers may include end customers or any intermediate like dealers, wholesalers and/or retailers. In any case, whenever supplier depends more on buyers, suppliers bargaining power decreases and vice versa. Buyers and seller relationship in terms of bargaining power plays significant role in overall progress of any business. Details summarized in figure 2 and 3.

4. Threat of Substitute Products: One should also think of competition of alike product by other industry. Pharma sector suffers a lot because of such availability of same product by many industries. A factor that governs the strength of competition includes cost and customer’s satisfaction (quality). Majority of times, customer compares the cost of product if they have option and in that case ultimately it increases pressure on any manufacturer to reduce price to stand in market.

5. Rivalry among the Existing Firms: One of the important factors that affect the stability of any industry is the completion with other established industry. It may lead to cold war between industries in terms of the cost of product, which ultimately decreases profitability of company.

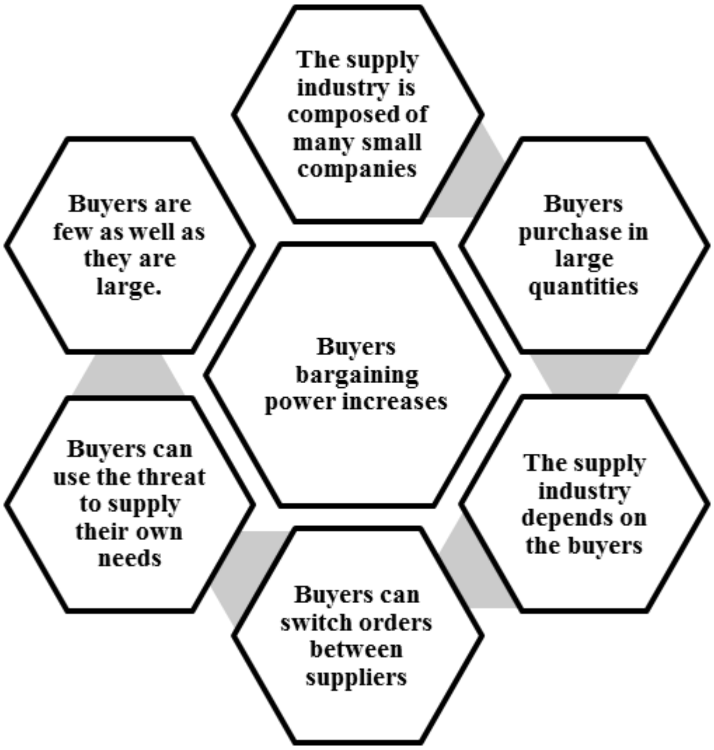


Figure 2: Reasons for increase in bargaining power of buyers

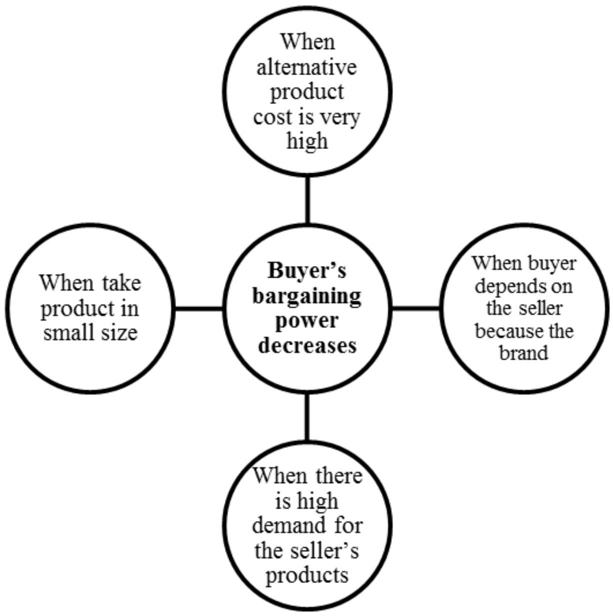


Figure 3: Reasons for decrease in bargaining power of buyers

Both the quality and quantity of competition must be carefully scrutinized. This competitive analysis (figure 4) involves consideration of the number of competitive analysis involves consideration of the number of competitors as well as the strength of each.

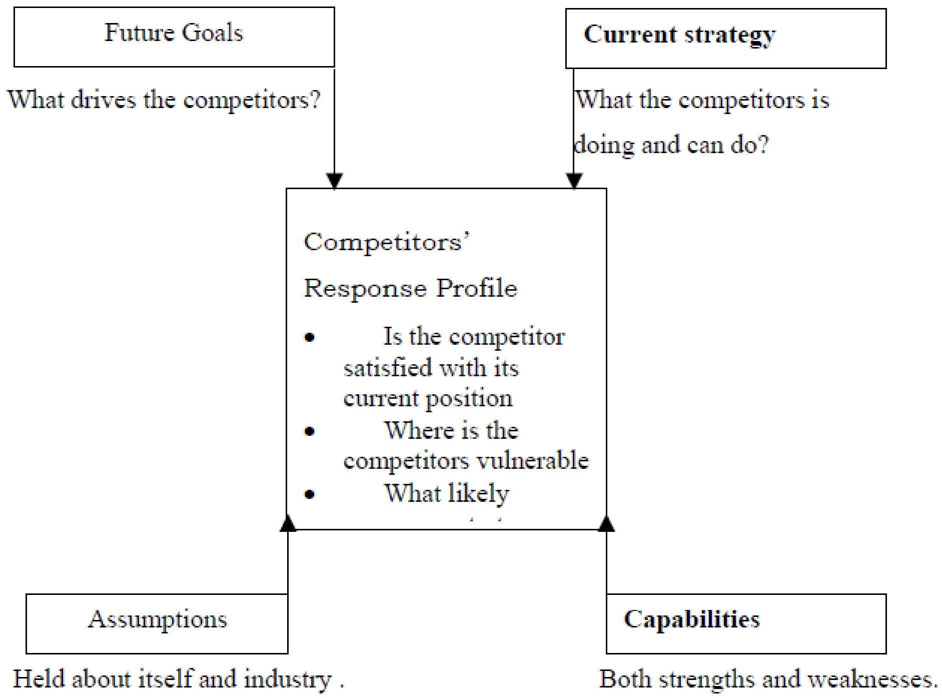


Figure 4: Components of competitive analysis

Several useful steps can assist an entrepreneur with examining the industry.

1. Clearly define the industry for the new venture will provide a better chance to sound start.
2. An analysis of the number, relative size, traditions, and cost structure of direct competitors in an industry can help to establish the nature of competition.
3. Determine the strength and characteristics of suppliers.
4. Establish the value-added measures of the new venture are useful to introduce backward or forward integration. Backward integration is the movement of buyer to acquire supplier services. Forward integration is the movement of supplier to absorb the duty of buyer.

1.5. Consumer Buying Behaviour

Consumer buying behaviour signifies more than just the approach of consumer towards buying a product. Marketing efforts therefore also emphasize on consumer's consumption of services, ideas and activities. The way consumer buys a product is extremely important to marketers. It involves understanding a set of decisions (what, why, when, how much and how often) that the consumer makes over the time.

In general terms "Consumer is a person who consumes", especially an individual belonging to a gender, age, sex, religion etc. and who take product for own use and not for sale to other.

‘Consumer is an individual who buys products or services for personal use and not for resale or reproduce’. A consumer is an important person who can make the decision to acquisition an item from a particular store and can be swayed by marketing and advertisements.

Consumer buying behaviour means more than just how an individual buys product. Marketing efforts therefore also focus on consumer’s consumption of services, his activities and ideas.

Consumer buying behaviour: it is the process that covers individuals or groups to select, use, or dispose products, services, ideas or experiences (exchange) to satisfy needs and desires. One should focus on this point to understand tendency of consumer for selection of any product.

Consumer incentives are known as 4 P’s (figure 5).Other important factors in the consumer environment are changes in the economy, technology, politics, and culture which affect their buying incentives. All these different stimuli are put together in “the buyer’s black box” and will probably observable results in buyer responses, as choice of product, amount and purchase timing.

Consumer behaviour study is associated with several advantages as given below;

- Help to judge demands.
- Measures brands behave.
- Prediction in context with delivery of product in efficient manner.
- Help to calculate own expenditure.

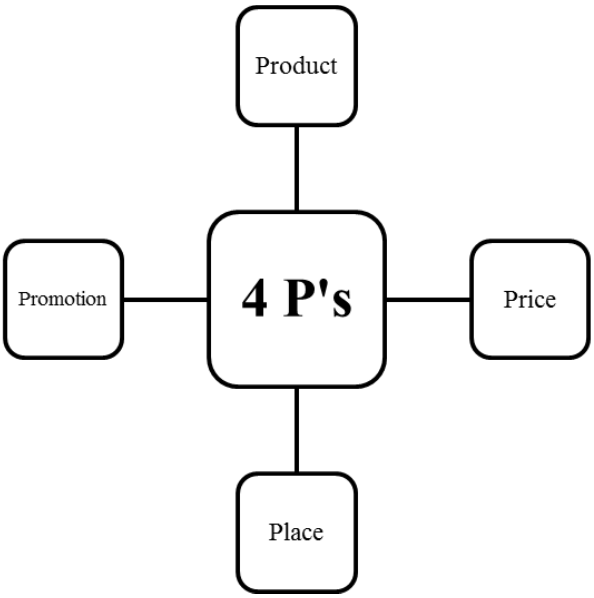


Figure 5: Consumer incentives 4 P’s

In fact, the study of consumer behaviour is relatively a rich science that includes elements from psychology, marketing, economic, consumer politics and many other fields of scientific research. Consumer buying behaviour includes two important types of elements i.e. tangible elements such as the concrete product or service, but also intangible elements as mental processes and systems of beliefs, values and self-realization. Therefore, to understand the consumer behaviour in a broad context as much as possible, it is best to build a systematic and representative illustration on the matter as shown in Figure 6 below.

Buyer – A Riddle: Although any company should understand the buyer and set strategy with product, but still many times consumer changes and same consumer refuse to take product again. Consumer gets influenced by marketing of other product and their price, color, quality as well as quantity. In today's era one should keep product in touch with mind of consumer by using media, social media and other marketing strategies.

Factors Influencing Consumer Buying Behaviour

The factors affecting consumer behaviour have been categorised under two types;

- Internal Factors
- External or Environmental Factors.

External factors do not affect the decision making process of customer directly. The factors that influence consumer buying behaviour in general are:

- Inspiration and involvement of consumers in obtaining exact product.
- Consumer's attitude.
- Personality and self-concept of any individual consumer.
- Ability to remember i.e. learning and memorizing power of the consumer.
- The channel or way through which Information processing takes place.

The most common external influences or factors are summarised in figure 7.

Some Important Factors Which Influence Consumer's Behaviour Are Explained Below

a) ***Cultural Factors:*** Culture is one of the important factors that help to human being to communicate, interpret and evaluate as a member of society. It affects person's wants, desires and behaviour. Although, different social groups have their own culture that usually affects consumers buying behaviour, but the extent to which this factor influences the behaviour varies from country to country, region to region. One can divide culture group further in several sub categories by considering factors life style, education, occupation, income, wealth etc.

b) ***Social Factors:*** The second important factor affecting consumer behaviour is social groups, which are made up of small groups, social roles and same social status. Some of these groups have a direct influence on an individual buyer, i.e. membership of an individual in particular groups, groups that a person can belong to, and reference groups which serve as direct or indirect points of comparison or reference in forming a person's attitudes or beliefs. However, some people are affected by groups in which they are not a part of these reference groups include inspirational groups, groups that a person desires to be a part of and a fan's admiration for an idol, etc. Wife, husband or a child has strong influences on a consumer and thus the family of any individual is the most vital consumer buying organization in the society.

c) ***Personal Factors:*** Various personal characteristics such as buyers age, occupation, financial condition, lifestyle, personality and self-concept also influences a lot on the buyer's decision. Shifting in person's demand for products mainly depends on the occupation and financial situation, as well as the stage in the life. An individual's lifestyle affects his or her activities, interests, and opinions and affects the choice of products. Moreover; all people are individuals with different personality in terms of sociability, self-confidence, autonomy, defensiveness, adaptability, dominance and aggressiveness etc.

Many times, when consumer takes the product which has influence on lifespan as stated previously, society influences the choice of customer and hence; person prefer the product as per his/her surrounding.

- **External values:** It includes a sense of belonging, being well respected and security.
- **Internal values:** It deals withself-fulfilment, excitement, sense of accomplishment, self-respect, fun and enjoyment and warm relationships.
- **Psychological Factors:** This group is constituted of four major factors, perception, specifically motivation, attitudes, learning and beliefs**.** When a person is motivated, he or she acts accordingly, and the actions taken over are affected by the person's perception of the particular situation. Perception is an individual ability of selection, interpretation of the information and organization which flows through the person's senses, and consequently a meaningful picture of the world is formed. The experience of new things brings changes to a person's behaviour. As a result, new beliefs and attitudes are acquired and hence affect the normal buying behaviour.

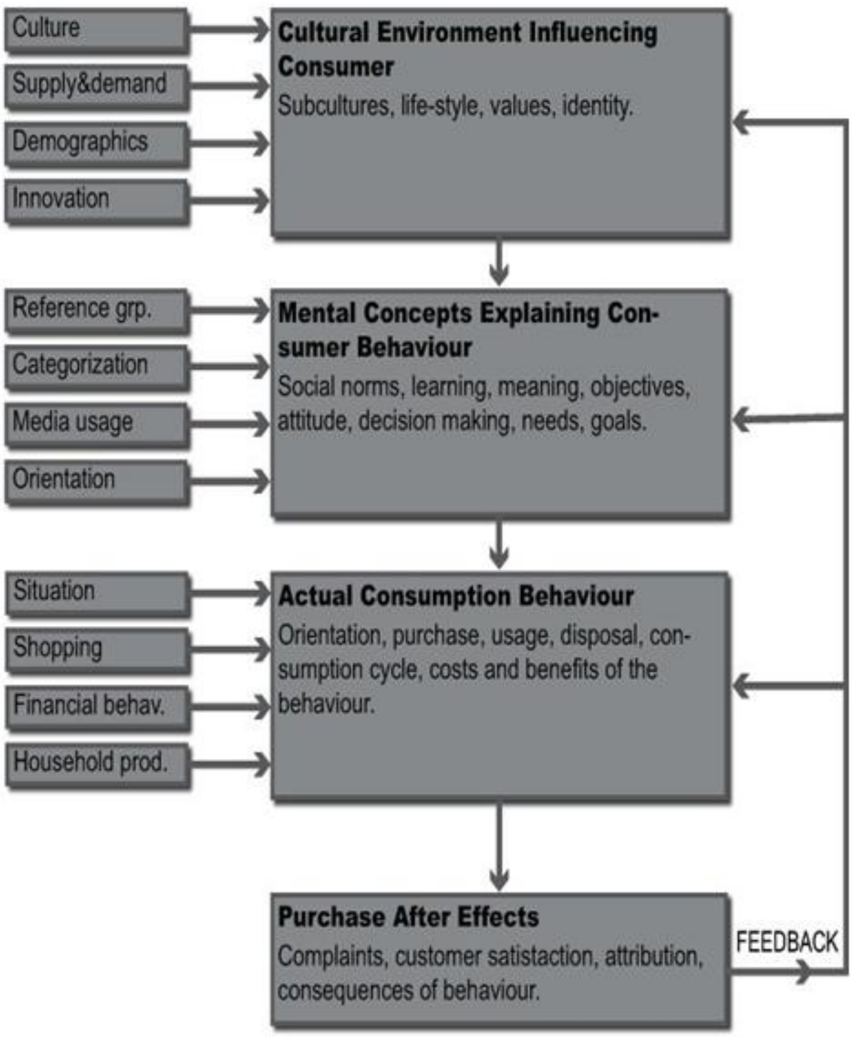


Figure 6: Elements of consumer behaviour

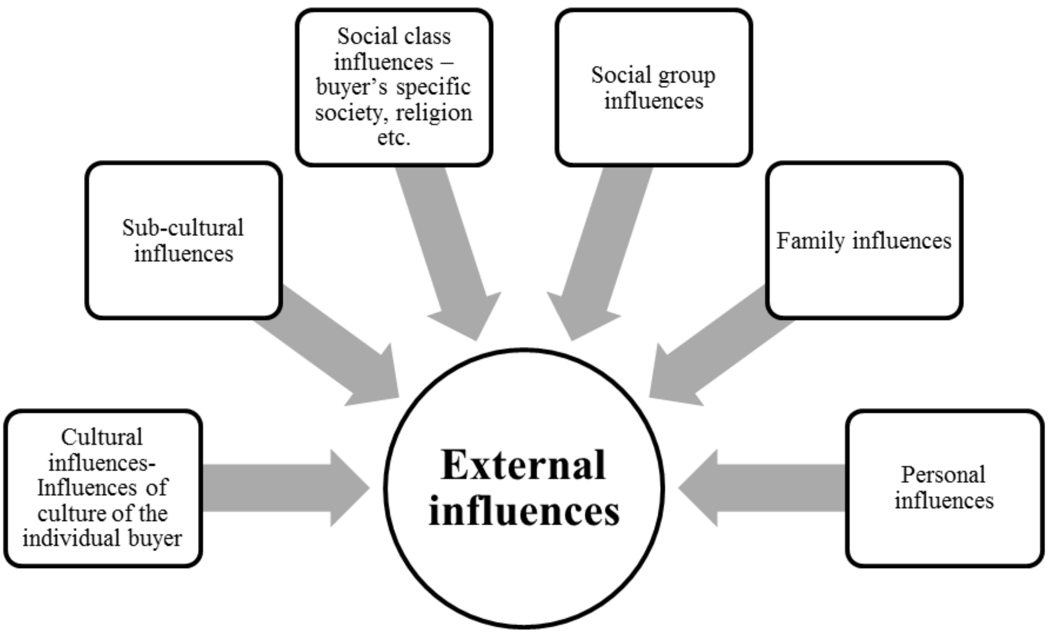


Figure 7: Significant external factors

1.5.1. Effect of consumer motivation, ability and opportunity

Behaviour of consumer is also affected by means of motivation, ability and opportunity.

Motivation:

Early step for any product development and marketing is to identify the motivation that will influence consumer to take product. In any one want to buy the jacket then motivation for the same will be style and quality of product as per image in mind of consumer.

Motivation generally makes customers to do things readily which are closely related to their set goals, e.g. Mr. ABC has a aim to buy clothes of particular style and when such a style comes in front of their eyes, they immediately go for that type of clothes.

Motivated people pay more attention and think about their goals, they examine the information critically relevant to the same and they try to remember the information for further use. Personally, relevant information or things also motivate consumers. Health product or ladies' cosmetics are the best example of product to get a broad view on motivation in relevance to personally relevant products. Consumers have different various specific kinds of needs behind the purchase. Maslow grouped these different consumers' needs into five broad categories as shown in figure 8.

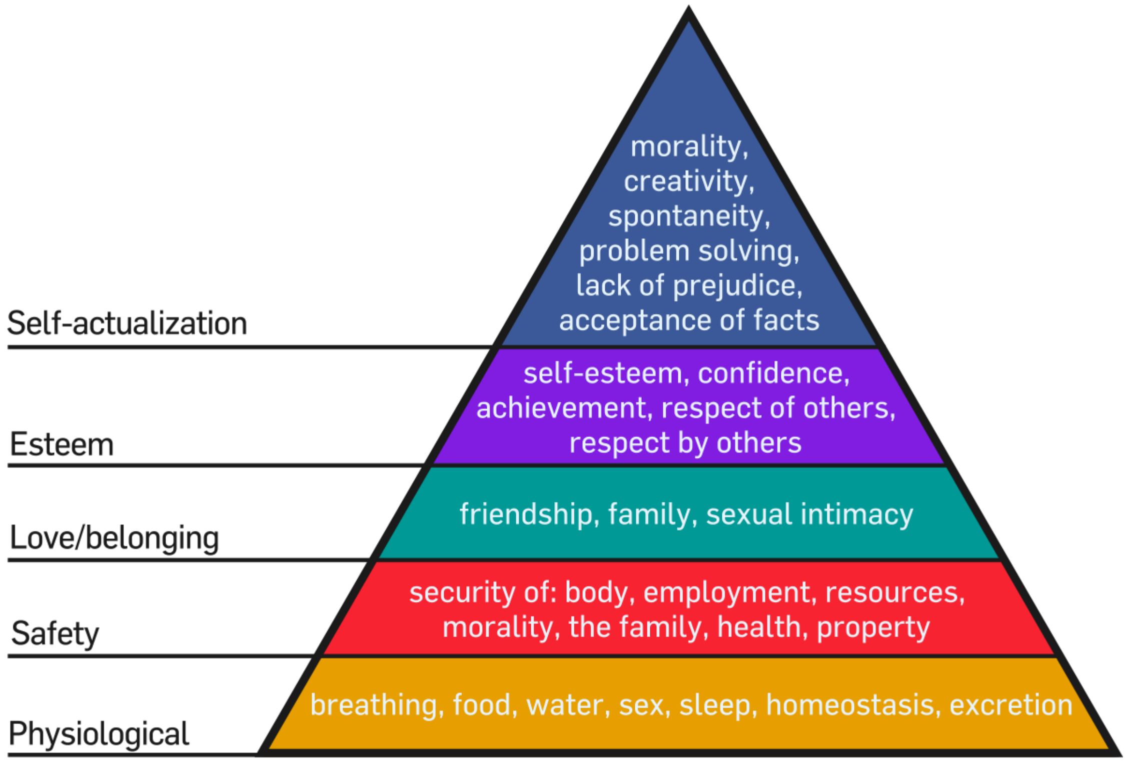


Figure 8: Maslow theory of motivation

1.5.2. Consumer Ability

Motivation of consumer is highly and significantly relevant to their ability of process information. Ability is defined as the extent to which consumers have the necessary resources to make the desired outcome happen. Consumers' knowledge, experience, cognitive style, intelligence, education, age and money majorly affect the consumer's ability to process information about a product or buying of certain products.

Consumer opportunity

One of the most important factors in buying process is time. Even though consumers have high motivation and the ability to process information, still they could not get time to decide or purchase. Many times customer take decision to buy any product because of some pressure on them like festival purchasing where they do not take time to go through product information. But whenever consumer taking product after detail reading of information then placing of any complex information may affect the product sale.

Perception

Perception is defined as "How a person sees the world around him". Two individuals may subject to the similar situation under the same conditions, but the way they recognize, organize and interpret stimuli is entirely different. Perception is an individual's own process based on their cognition, needs and requirements, values, expectations and likes/dislikes. A motivated person is ready to act in one or other way. The action of a person is influenced by his or her perception towards the situation. Whenever information is spread by means of vision, hearing, taste, smell and touch, it leads to perception. Additionally; music also affects the perception and ultimately sell of product.

1.5.3. Consumer Decision Making

Decision Making can be simply described as the act of choosing between two or more courses of action. However, it must always be remembered that there may not always be a correct decision amongst the available choices. There may have been a better choice that had not been considered, or the right of information may not have been available at that moment of time. Because of this, it is important to keep a track of all-important decisions and the reasons of the decision taken, for improvements in future. This also provides justification for any decision taken when something does not go in favour.

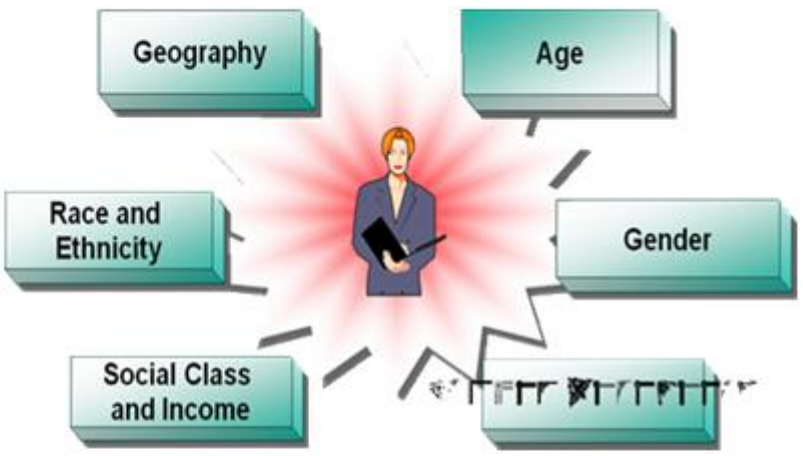
Consumer Decision Process

Normally decisions can be made using either intuition or the reasoning, a combination of both approaches is often used. The consumer undergoes several steps in the process of decision making. For very first step, the decision is made to solve any kind of problem. For this, search for the information about the product is carried out, e.g. to find how the cooling can be provided, through an air-conditioner or a cooler. This leads to the evaluation of alternatives and a cost benefit-analysis which are largely made to judge which product and brand image will be suitable and can take care of the problem suitably and adequately. Thereafter, the purchase is finally made, and the product is used by the consumer.

1.5.4. The Process of Marketing Segmentation:

Segmenting Consumers by Demographic Dimensions:

It is the involvement of statistics which determines the visible aspects of a group. Consumption typology explores the different ways that product and experiences can provide meaning to people. There are 4 distinct types of consumption activities:



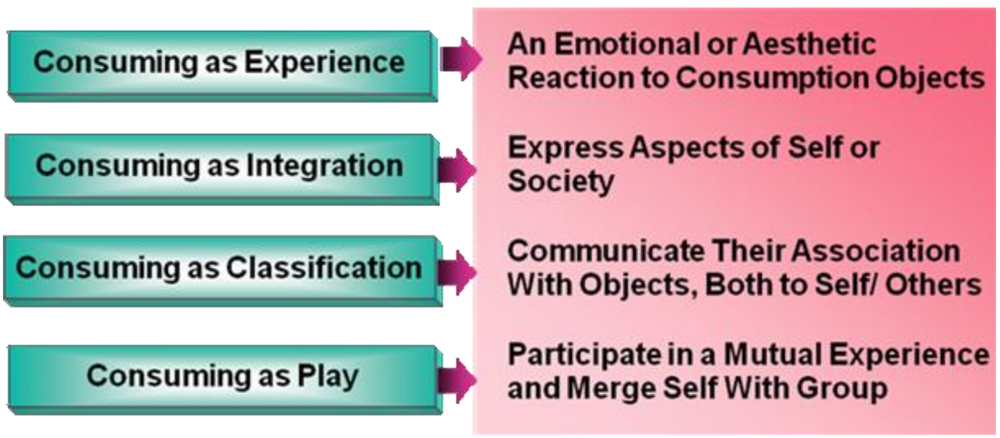


Figure 9: Consumption Typology

- Decision making (information search, consider brand alternatives)
- Habit (little or no information search, considers only one brand)

- Consumer behaviour includes post purchase satisfaction or dissatisfaction behaviour
- Two types of customers- personal and organizational consumer

1.5.5. Factors Influencing Purchase Decision

Outlet Selection and Purchase

With increasing number of brands, there is also increase in outlet (retail shop) which increases the confusion the mind of customer regarding purchase of product from any of store. The retail trade occurs from the stores as well as from catalogues, direct mail via print media, television and radio and many novel internet technologies. Retailing is also possible on day basis in different areas of city. Here is the main game begins as the customer have choice for product or store or both. Conventionally one may also prefer to go with store visit in order to obtain proper advice for product.

Purchase Behaviour

Purchase and post purchase behaviour plays more important role in any company. Purchase give money to company and post purchase behaviour give idea about like or dislike of product. Purchase of product is the measure of success of marketing strategies of company. One has to focus more on selling strategies along with satisfaction of customer to generate revenue from it.

Marketing Strategy

Successful marketing strategy is the one through which consumer can predict a need which a company's product can resolve and, offers the best solution to the existing problem. For a successful strategy, the marketer must emphasize on the product and brand image in the consumer's mind. The marketers must try to make the product according to the customers' needs and his or her likes and dislikes. The brand which fulfils the desired image of a target customer usually sells well. Sales are important and sales are likely to occur if the initial consumer analysis was correct and correlates with the consumer decision process. Next part is the post sales satisfaction of the consumer, which encourage repeat purchase.

The Marketing Strategies have strong influence on buying decisions and build a bond with Consumers and give them various reasons to maintain a relationship with the company over a long time so marketers conduct studies to determine which strategy would be most effective. Small businesses need to be aware of the selected members of their target audience, their needs, where they are located and how they will react to the product and its promotions. They gather this information through surveys and also by studying data regarding the past behaviour of customers. Data is also obtained from different sources such as marketing databases, sales history and the Internet.

The Competition

For analysing the market, it is important to examine about the strengths and weaknesses of the competitors, their strategies, their expected, anticipated moves and their reaction to the companies' moves and thereafter plans are to be made.

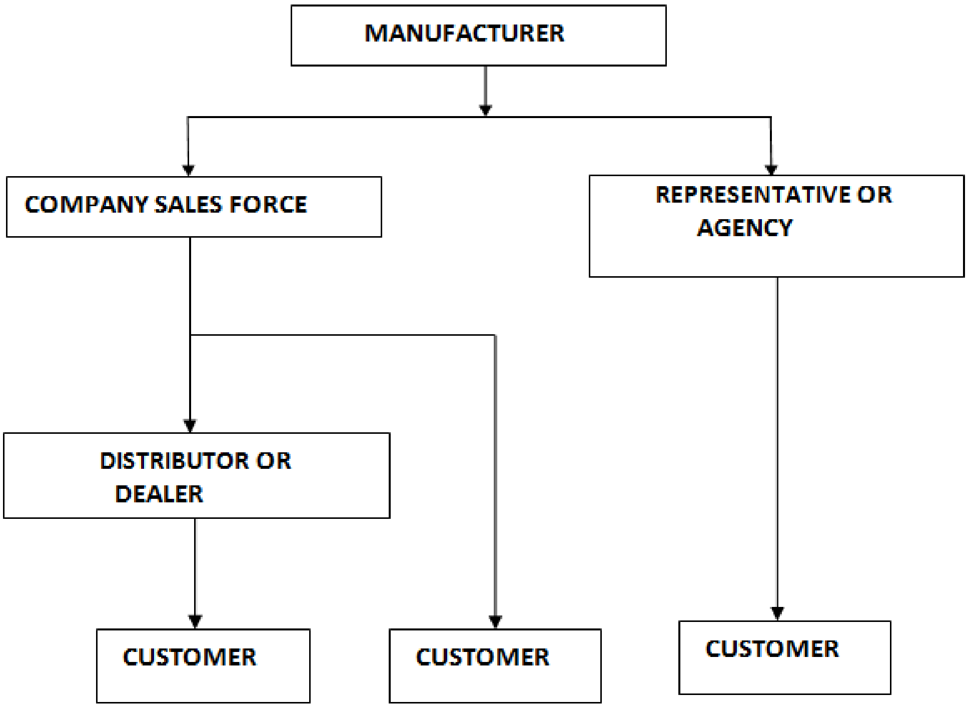
Researcher performs 2 main job viz. collection of data of competitors and to predict their possible future movement.

The Conditions

The operating conditions of the firms are also to be seriously considered. The common factors to be studied are majorly the economy, the physical environment, the government regulations, the technological developments, etc. These effect the consumer needs, i.e. the deterioration of the environment and its pollution may lead to the use and innovation of safer products. People are more health conscious and are concerned largely about their safety. Hence safer products would have a better chance with the consumer. The flow of money is constrained to a great extent during the recession. This leads to the formulation of different marketing strategies.

1.6. Industrial Buying Behaviour

Industrial buying is growing in importance because of the fast growth of the industrial market. In an industry environment, the buying process is more complex and purchase decisions are based on many factors such as compliance with product specifications, product quality, availability or timely supply, acceptable payment and other commercial terms, cost effectiveness, after- sales-service and the like. Purchase decisions generally take a longer time and involve many individuals from technical, commercial, materials and finance departments. After the initial offer made by a seller, there are negotiations and exchange of information between specialists and representatives in each functional area from both the buyer and the seller organizations. Thus, inter-organizational contacts take place and interpersonal relationships develop. The relationships between the seller and buyer are highly valued and over a period, they become stable because of a high degree of interdependence



The channels of distribution in industrial markets are significantly different from that of consumer markets. Chart displays the channels of distribution in industrial markets.

Channels of Distribution in Industrial Markets

As displayed in Chart, distribution channels are more direct from the manufacturer to the customer in industrial markets and the number of middlemen involved is very few. Due to the importance of inventory and stock control and the technicalities involved in selling, manufacturers often use their own salespersons to sell directly to major customers. Distributors or dealers are used for selling to small-scale customers

1.6.1. Types of Industrial Customers

Commercial Enterprises, Government Customers, Institutional Customers and Cooperative Societies are the different types of industrial customers.

- **Commercial Enterprises:** These are private sector, profit seeking organizations consisting of Industrial Distributors and Dealers, Original Equipment Manufacturers (OEM's) and Users.
- **Industrial Distributors and Dealers:** here one takes product from industry and re-sale as it is to other industry.
- **Original Equipment Manufacturers (OEM's):** These industrial customers purchase industrial goods to incorporate them in the products that they produce.

- **Users:** When a commercial enterprise purchases industrial products or services to support its manufacturing process or to facilitate business operations it is classified as a User.
- **Government Customers:** The largest purchasers of industrial products in India are Central and State Government Departments such as Railways, Defence, Telephones, State Transport Undertakings, State Electricity Boards and Director General of Supplies and Disposal (DGS&D). These government units purchase almost all kinds of industrial products and services and they represent a huge market.
- **Institutional Customers:** Public and private institutions such as Hospitals, Schools, Colleges, Universities and Prisons are classified as Institutional Customers.
- **Cooperative Societies:** An association of persons form a Cooperative Society. It can be manufacturing units like Cooperative sugar mills or non-manufacturing organizations like Cooperative banks or Cooperative housing societies.

1.6.2. Classification of Industrial Products and Services

Materials and Parts, Capital Items and Supplies and Services are the different types of Industrial Products and Services.

1. **Materials and Parts:** These are the goods that enter the product directly consisting of raw materials, manufactured materials and component parts. The costs of these items are treated by the purchasing company as a part of the manufacturing cost.
2. **Raw Materials:** These are the basic products that enter the production process with little or no alterations.
3. **Manufactured Materials:** Manufactured materials include those raw materials that are subject to some amount of processing before entering the manufacturing process. Acids, fuel oil and steel are examples of manufactured materials.
4. **Component Parts:** Components such as electric motors, batteries and instruments that can be installed directly into products with little or no additional changes are classified as component parts.
5. **Capital Items:** It includes items which are used in the production process and they wear out over a certain time frame and include Installations and Heavy Equipment, Accessories and Light Equipment and Plant and Buildings.
6. **Installations and Heavy Equipment:** These are major and long-term investment items such as general purpose and special purpose machines, turbines, generators, furnaces and earth moving equipment.

7. **Accessories and Light Equipment:** These include power operated hand tools, small electric motors, dies, jigs, typewriters and computers.
8. **Plant and Buildings:** These are the real estate property of a company and include the firm's offices, plants (factories), warehouses, housing, parking lots and the like.
9. **Supplies and Services:** Supplies and services support the operations of the purchasing organisation. Items such as paints, soaps, oils and greases, pencils and stationery belong to this category.
10. **Services:** This includes a wide range of services like building maintenance services, auditing services, legal services, courier services, marketing research services.

1.6.3. Buy-Phases in the Industrial Buying – Decision Process

The industrial buying activity consists of various phases or stages of buying decision making process. The importance to be given to the various phases will depend on the type of buying situations.

Robinson, Farris and Wind developed eight phases of buying- decision process in industrial markets in 1967 and called the process Buy- phases. These are explained below.

Phase - 1 - Recognition of a Problem

Phase - 2 - Determination of the Characteristics and Quantity of needed Product

Phase - 3 - Development of Specifications of needed Product

Phase - 4 - Search for and Qualification of Potential Suppliers

Phase – 5 - Obtaining and Analysing Supplier Proposals

Phase-6 - Evaluation of Proposals and Selection of Suppliers

Phase-7 - Selection of an Order Routine

Phase-8-Performance Feed-back and Post- Purchase Evaluation

1.6.4. Types of Purchases or Buying Situations

For a better understanding of the buying process, it is necessary to consider different types of purchases or buying situations. There are three common types of buying situations called buy-classes and they are explained below.

A) New purchase

In this situation, the company is buying the item for the first time. The need for a new purchase may be due to internal or external factors. In such situations, the buyers have limited knowledge and lack of previous experience. Hence, they must obtain a variety of information about the product, suppliers, price and the like. In a new task decision,

i) Risks are more

ii) Decisions may take longer time and

iii) More people are involved in decision making.

B) Modified Re-buy

A modified re-buy situation takes place when Purchase Company is not satisfied with the supplier or another supplier is available with same quality but low cost.

C) Straight Re-buy

It occurs when one industry requires same material from other again. In such case, initially signed deal remains same for fresh purchase.

1.6.5. Models of Organisational Buying Behaviour

Industrial buyers are affected by many factors when they take purchasing verdicts. There are two models (or frame work) available to provide a complete picture of the major factors that determines the acquiring behaviour.

i) The Webster and Wind Model

ii) The Sheath Model

I. The Webster and Wind Model of Organizational Buying Behaviour:

The Webster and Wind Model of Organizational Buying Behaviour explain the buying behaviour in an organization with the help of four sets of variables (figure 10).

1. Environmental variables
2. Organizational variables
3. Buying centre variables
4. Individual variables.

II. The Sheth Model of Industrial Buyer Behaviour

The Sheth Model is developed by Professor Jagdish N. Sheth which explains Industrial Buying Behaviour with the help of three components and situational factors (Figure 11). The differences among the individual buyer expectations (Component I) are caused by factors such as

- The background of individuals
- Their information sources
- Active search
- Perceptual distortion and
- Satisfaction with past purchases

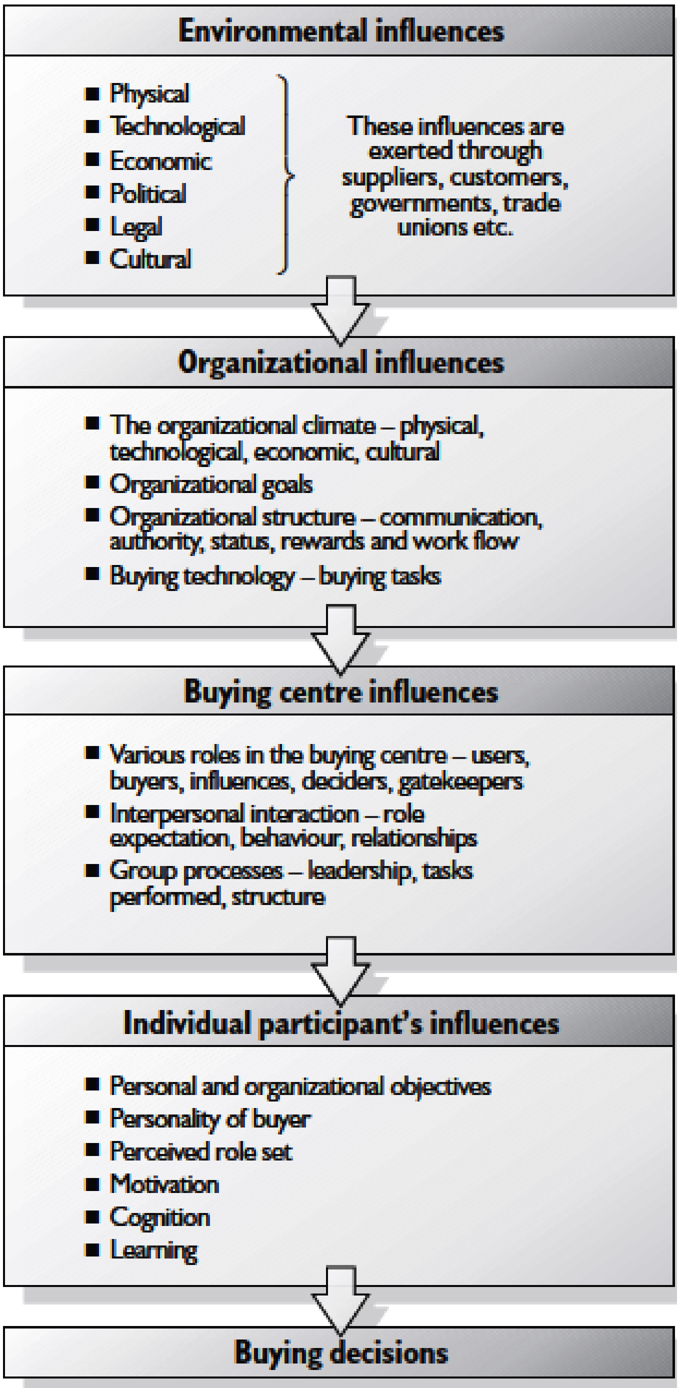


Figure 10: The webster and wind model of organisational buying behaviour

The background of individuals is related with education, life style and role in the organization. The factor perceptual distortion means the extent to which each individual participant modifies information to make it consistent with his existing beliefs and previous experiences

In Component II, there are six variables (Time pressure, perceived risk, Type of purchase, Company size, Company orientation and Degree of centralisation) which determine whether the buying decisions are autonomous (i.e. single individual) or joint (i.e. two or more individuals). As per this model, larger is the size of organization major is the probability of joint decision making process.

Component III in the model indicates the methods used for conflict resolution in the joint - decision making process.

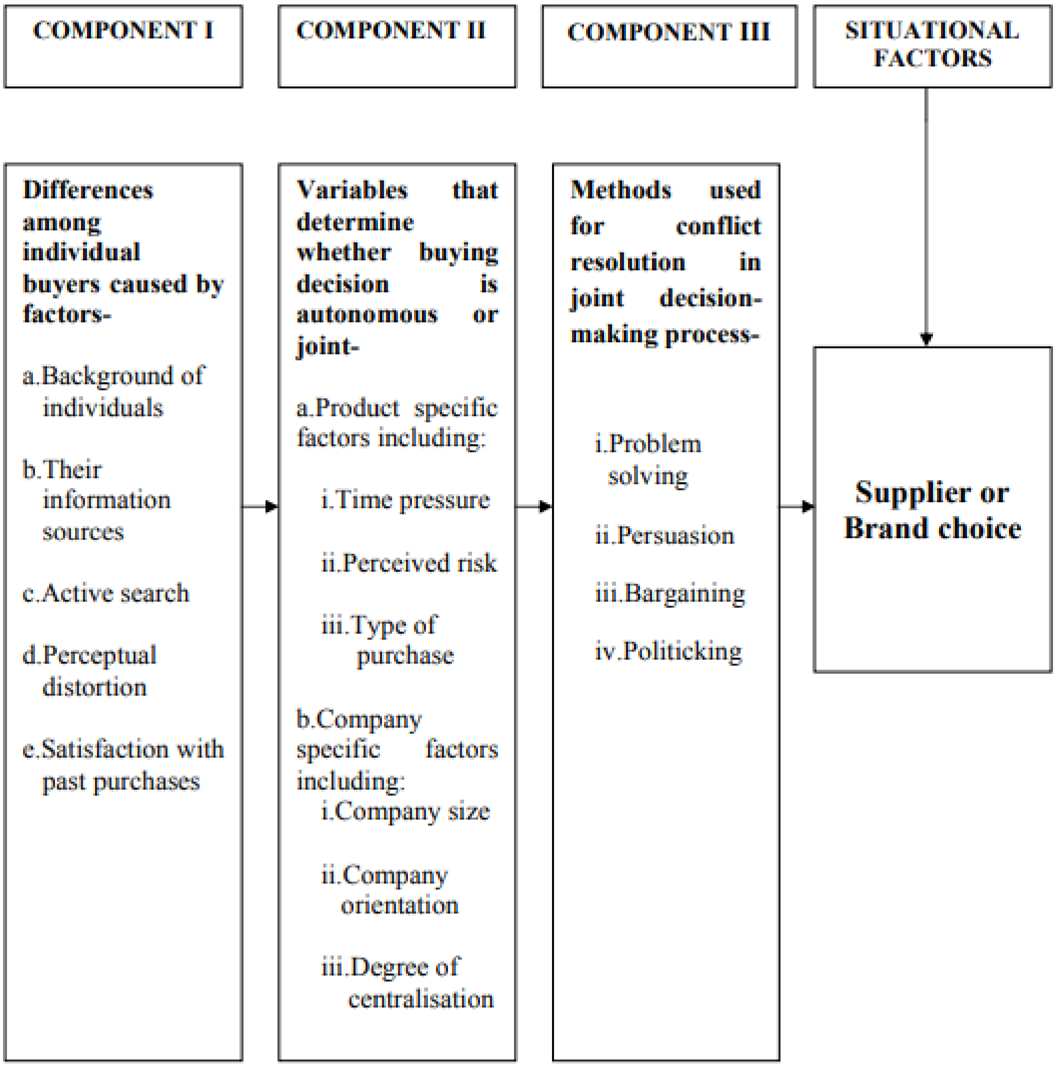


Figure 11: The Sheth model of industrial buyer behaviour

Situational factors can be varied like economic conditions, labour disputes, mergers and acquisitions. However, the model does not explain their influence on the buying process.

Interpersonal Dynamics of Industrial Buying Behaviour

Organisational Buying Behaviour is ultimately influenced by forces within the organisation as well as environmental forces. The status and operating procedures of purchase, the degree of involvement and interaction of various groups and group members and their different perceptions have a significant impact on purchase decisions. Information of these factors is an essential part in the development of an effective industrial marketing strategy. Purchase decisions are influenced by organisational group and individual forces as well as external forces. The position of purchase department and its status within the organisation has a significant influence on industrial buying behaviour. Purchases are also affected by a complex set of decisions made by several individuals in buying centres - individuals with different levels of information and expertise and different backgrounds. For a marketing strategy to be successful, the industrial marketer must have a clear understanding of how organisational groups interact, the amount of influence the various group members possesses and how this influence varies throughout the buying- decision process.

Purchase Department's influence on Buyer Behaviour

International material shortages, sky rocketing costs of materials and energy, fluctuating nationalistic moods, conflicting social goals, profit squeezes and greater government regulations of business have all brought about recognition of the importance of the purchase function. The average industrial firm spends approximately 60 percent of its sales on materials, services and capital equipment. In view of the above, purchase is now being viewed as an 'asset- management tool through asset- utilisation and inventory control'

Chapter 2: Pharmaceutical Market

Learning Objectives:

After completion of this lesson, students should able to

- Describe quantitative and qualitative aspects of Pharma Market
- Describe size and composition of the market;
- Explain demographic descriptions and socio-psychological characteristics of the consumer;
- Explain market segmentation and targeting.
- Study Consumer profile; Motivation and prescribing habits of the physician;
- Explain patients' choice of physician and retail pharmacist.
- Analyse the Market and Role of market research.

In previous chapter we studied basics of marketing and marketing strategies. In this chapter, we will discuss on pharmaceutical marketing. When it comes to marketing, one must have thorough knowledge about marketing and market. Marketing Research is critical for the successful sustenance of any product or industry and Pharmaceuticals are no exception. Marketing occupies an important position in the organization, which is in today's competition scenario, more consumer-oriented. This consumer-oriented marketing is about finding the wants of the consumer and then satisfying them through the right product at right time and at right place. This activity of determining and satisfying the wants in a systematic manner is called as 'marketing research'.

"Marketing research is the careful and objective study of product design, markets and such transfer activities as physical distribution and warehousing, advertising and sales management."

-Harry L. Hansen

"Gathering, recording and analysing of all facts about problems relating to the transfer and sale of goods and services from producer to consumer".

-American Marketing Association

Market research is different from marketing research. Marketing research deals with all the points concerning various functions of the market like systematic investigation on products and services, research on new markets, sales methods, marketing policies etc.

Market research however, deals with the facts and problems relating to sale of a particular product or service. Richard D. Crips has explained the difference between these two terms as, "marketing research is the systematic, objective and exhaustive research for and study of the facts relevant to any problem in the field of marketing whereas market research is restricted to the study of actual and potential buyers, their location, their actual and potential volume of purchases, and their motives and habits."

Functions of Marketing Research:

- It helps in exploring new markets and their demands for the products.
- It helps in estimation of potential demand for a new product.
- It helps in production planning activity.
- It is useful in improving the effectiveness of the channels and methods of distribution.
- It helps in getting customer feedbacks for the products and to do necessary improvements.

2.1. Qualitative and Quantitative Market Research

In today's competitive environment, in order to survive in market, it is very important to create and maintain image of product in mind of population. For that purpose, market research is one of the prerequisite. Process of market research and method of data collection is broadly classified into two types viz. quantitative and qualitative research.

Both methods are associated with different method of data collection and results in different outcome. Selection of any method depends on the need of company. Many times company use to perform both.

Main objective behind market research is to obtain information in context with marketing of product or services and further analysis of same which will help any company to understand the market conditions and future of proposed product or service. Market research includes following testing;

i. Positioning research,
ii. Messaging research
iii. Brand name testing
iv. Concept testing
v. Ad testing.

Data obtained in view of above point help the company to optimize marketing strategies to reach the targeted audience and to stand in competitive market.

Quantitative research:

It involves the surveys and questionnaires which can be performed by phone, face to face or even on internet. Generated data can be easily reported through statistics.

Example, a pop-up question may appear on screen like 'Have you visited any of the following site?', and respondent will answer yes or no.

Major limitation of this method is use of pre-coded, closed ended questions and pre-designed structure for expected responses. The online questionnaire can only go as far as the programming will allow, and like any other data collecting quantitative tool, has a limited ability to probe answers.

The main characteristic of quantitative market research is that it allows for comparisons and trends in the data to be easily found and understood. It should also be noted that as a result of the standardised questions, quantitative market research is a more structured market research process and can therefore involve a larger number of respondents to participate in the research.

There are several different types of data collection in quantitative market research;

- Mail
- Face-to-face
- Telephone
- Email
- Online / web

It is important to carry out quantitative research before starting a new business, launching a new product, or service as it gives factual figures and data that highlights target market interest and can help secure investors, as the risk of their investment is reduced as future demand is shown. It also enables managers to compile sales forecasts and revenue. These can be done through the use of target market response rates and any pricing information or preferences that are revealed by respondents during the research.

Qualitative market research:

It is associated with open ended questions in any format like face-to-face interviews, interviews via the phone, or over the web. It is flexible and interactive. Targeted audiences may be one-on-one or groups.

An expert moderator selects questions to obtain wide range data from respondent. Qualitative marketing research can help explore a new market, understand customer perceptions, as well as generate or screen ideas. It answers that age-old question, why?

Advantages:

1. It focuses on consumer actions, opinions, wants and needs.
2. It helps the marketer to understand why a consumer has acted and purchased in a certain way.
3. Highlights target market opinion on the business idea, product or service.
4. It can allow a manager to alter and adapt their idea to ensure consumer satisfaction and competitiveness within the market

Since it involves the collection of large data, majority of the time company subject is for recording to reuse it as per need.

Different methods:

Method	**Participants**
Focus groups	6 – 8
Mini group	4 – 5
Triad	3
Paired	2
One on one	1

Both quantitative and qualitative market research can be conducted first. The method to choose first is dependent on the following;

Qualitative market research should be conducted before quantitative market research if the project concept has not previously been researched. In this situation qualitative market research will enable the researcher to understand the consumer's initial and unbiased reaction and opinions to the new concept with no external influencers such as past experience with similar products. It is important with a new concept to first understand areas of improvement, modification before moving forward towards validating the final concept through quantitative market research.

Quantitative market research should be conducted before qualitative market research if the project concept has been previously researched to some extent and some initial information from previous research has been absorbed. By conducting quantitative market research first, it allows a start-up or entrepreneur to understand the current feasibility of a project before understanding why the results read as they do. Quantitative market research highlights areas of further investigation before exploring the reasons through qualitative market research. Further to this quantitative market research allows the researcher to gauge a general understanding of the market before taking the time to adapt their research into a more specific and customised survey as part of qualitative market research.

2.2. Size and Composition of Pharmaceutical Market

Global pharmaceutical markets are in the midst of major discontinuities. While growth in developed markets will slow down, emerging markets will become increasingly important in the coming decade. The Indian pharmaceuticals market, along with the markets of China, Brazil and Russia, will spearhead growth within these markets. The Indian pharmaceuticals market has characteristics that make it unique.

First, branded generics dominate, making up for 70 to 80 per cent of the retail market. Second, local players have enjoyed a dominant position driven by formulation development capabilities and early investments. Third, price levels are low, driven by intense competition. While India ranks tenth globally in terms of value, it is ranked third in volumes. These characteristics present their own opportunities and challenges. In 2007, we undertook an exercise to assess the potential of the market by 2015. At that time, the country was beginning to witness greater affordability and higher spending across a range of categories driven by a decade of reforms.

The total market for healthcare products and services had grown at a compounded annual growth rate of 14 per cent from 2000 to 2005. The pharmaceutical industry had grown at a compounded annual growth rate of 9 per cent during that period. We felt in 2007 that the Indian pharmaceutical market was poised for a clear and discernable step-up in its growth trajectory. In our earlier report, India Pharma 2015 – Unlocking the Potential of the Indian Pharmaceutical Market, we projected that the market would grow at a compounded annual growth rate of 12 to 14 per cent to become a USD 20 billion to USD 24 billion market by 2015. This growth would be driven primarily by rising incomes, and be supported by five other factors: enhanced medical infrastructure; rise in the prevalence and treatment of chronic diseases; greater health insurance coverage; launches of patented products; and new market creation in existing white spaces.

These factors are now bearing fruit, and market growth has kept pace with projections. Various industry reports suggest that the industry has been growing at 13 to 14 per cent over the last 5 years—a sharp rise from the 9 per cent compounded annual growth rate between 2000 and 2005. Most of the growth drivers have kept pace with expectations.

India's GDP from 2005 through 2009, the economy increased at an annual rate of around 8%. The expansion of medical facilities and health-insurance coverage has met expectations. The cost of treating chronic diseases has increased. The astonishing success of a few recent launches has proven patented products' genuine potential.

The Indian pharmaceutical sector is at the forefront of the country's science-based industries, with broad skills in the complicated field of drug manufacturing and technology. India has one of the largest and most advanced pharmaceutical industries among developing countries. In India, the pharmaceutical business is growing at a breakneck pace. The Indian pharmaceutical sector is now capable of supplying the country's demand for all drugs.

Medicines make a significant contribution to the nation's health. Drug discovery, development, and effective use have improved many people's quality of life, reduced the need for surgery and duration of stay in the hospital, and saved many lives. Over the years pharmacy has grown in the shape of pharmaceuticals sciences through research and development processes. It is related to product as well as services. The various drugs discovered and developed are its products and the healthcare it provides comes under the category of services. Pharmacy involves all the stages that are associated with the drugs, i.e. discovery, development, action, safety, formulation, use, quality control, packaging, storage, marketing etc.

The pharmaceutical industry in India is a successful, high-technology-based industry that has witnessed consistent growth over the past three decades. The Indian pharmaceutical industry plays a critical role in public health. The Bengal Chemicals and Pharmaceutical Works, which still exists today as one of five government-owned drug producers, established the Indian pharmaceutical industry in Calcutta in 1930. For the next 60 years, corporations imported the majority of India's pharmaceuticals, either completely formulated or in bulk form.

In the early 1960s, the government began to foster the growth of medicine manufacture by Indian enterprises, and with the passage of the Patent Act in 1970, the industry was able to mature into what it is today. Food and medication composition patents were repealed, and while process patents were preserved, they were limited to a five- seven year period. The lack of patent protection made the Indian market unattractive to the foreign corporations that had previously dominated it, and as they left, Indian corporations began to take their place. With its competence in reverse engineering novel procedures for manufacturing drugs at minimal costs, they earned a niche in both the Indian and global markets. Despite the fact that some of the major businesses have taken little moves toward medication innovation, the industry as a whole has stuck to this business model until now.

Classification of Pharmaceutical Industry

The global pharmaceutical industry structure can be split into two:

Bulk drugs (20%) The bulk drug segment of the market has increased in the last ten years at around 20% annual growth rates.

Formulations (80%) Production of formulations has increased by around 15% annually. India's pharmaceutical industry is one of the world's top five producers of bulk pharmaceuticals. The largest firms account for the majority of the R& D investment in the industry and hold the majority of the patents. A small number of multinational enterprises (MNEs) dominate the global pharmaceutical industry; top twenty-five MNEs having accounted for percent of the world (2003) Firms can be either in production of bulk drugs or formulations or may manufacture both. Firms in to formulations may be further classified into innovating firms and non- innovating firms. However, R&D is insignificant when compared to MNEs. There are about 8174 bulk drug manufacturing units and 2389 formulations units spread across India. Total: 10563 units.

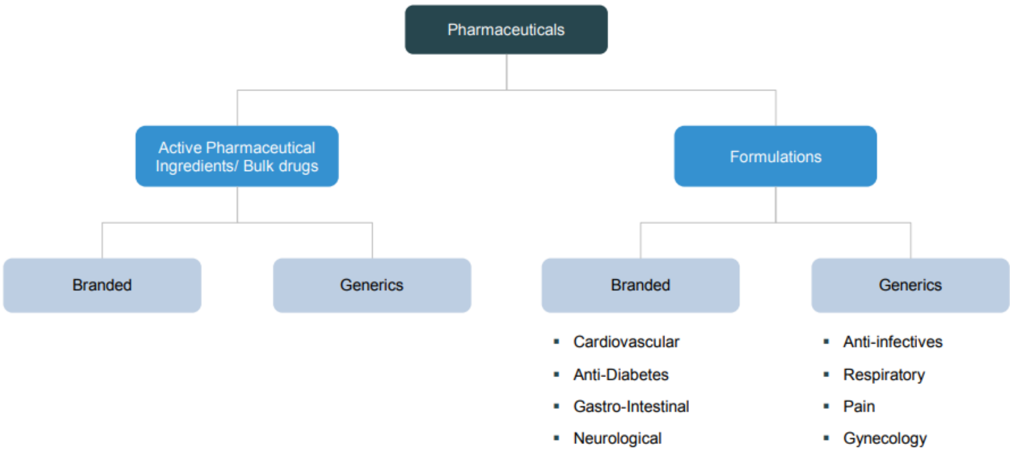
Statistics

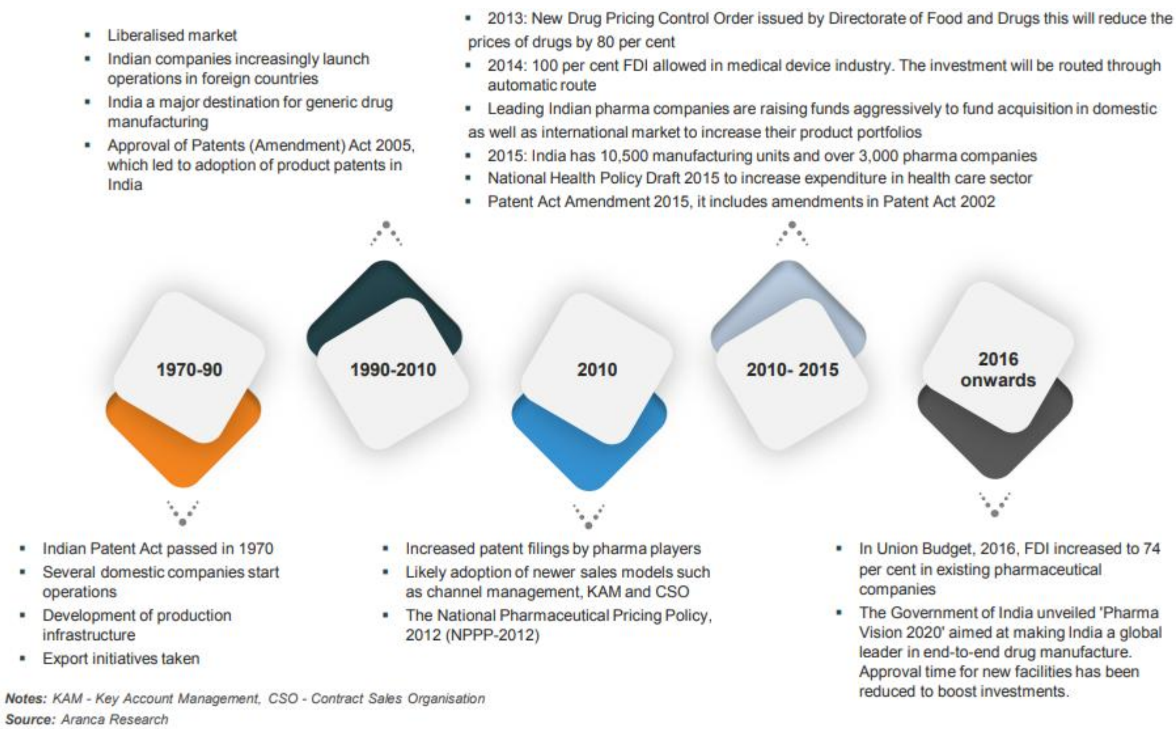
The net worth of the industry is about 8 Billion Dollars with a growth rate of 8-9% PA. It exports to nearly 212 countries. Over 20,000 registered pharma producers sold $9 billion worth of formulations and bulk drugs in India in 2002. Over 60% of the bulk pharmaceuticals were shipped, largely to the United States and Russia, with 85 percent of the formulations marketed in India. The majority of market participants are small-to-medium businesses; the top 250 corporations control 70% of the Indian market. Multinational corporations now account for only 35% of the market, down from 70% thirty years ago.

Even global pharmaceutical businesses operating in India virtually entirely employ Indians from the lowest levels to the highest levels of management. Firms are highly hierarchical, mirroring the societal structure. Like many other industries in India, home-grown pharmaceuticals are frequently a mix of public and private ventures. Despite the fact that many of these businesses are publicly traded, leadership is passed down from father to son, and the original family owns the most of the shares.

India now has a 1-2 percent share of the global market, although it has been rising at a rate of around 10% each year. With its innovatively engineered generic drug and active pharmaceutical ingredients (API), India has established itself on the world stage, and it is now attempting to establish itself as a significant participant in outsourced clinical research, contract manufacturing, and research. India has the most FDA-approved manufacturing facilities of any country outside the US, with 74, and Indian companies are likely to file about

20% of all Abbreviated New Drug Applications (ANDA) to the FDA in 2005.Growth in other fields notwithstanding, generics is still a large part of the picture.



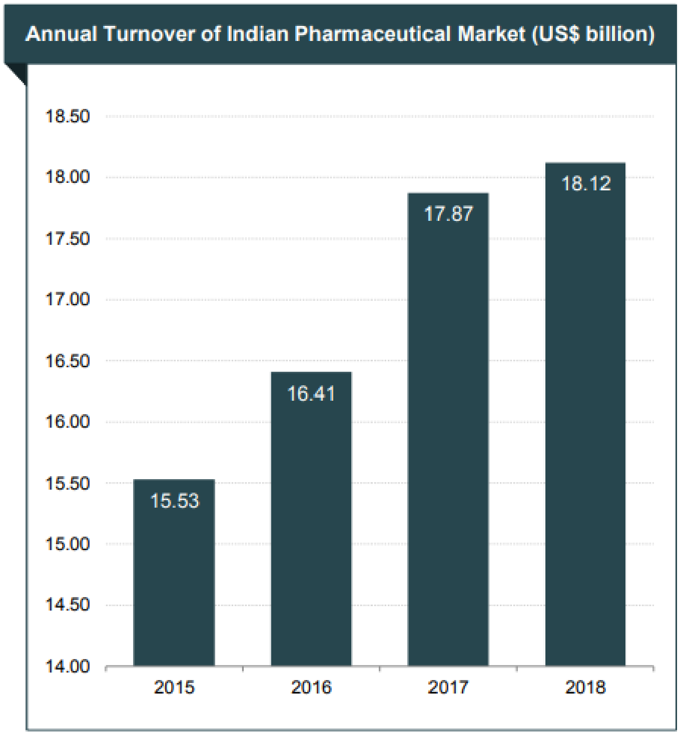


The pharmaceutical market generated total revenue of $ 10838.7 million in 2009, representing a compound annual growth rate of 11.3% for the period spanning 2005-2009. Alimentary/metabolism sales proved the most profitable for the Indian pharmaceuticals market in 2009, generating total revenues of $1498.8 million equivalent to 13.8% of the market's overall value. India accounts for 8.7% of the Asia-Pacific pharmaceuticals market's value. Japan leads the Asia-Pacific pharmaceuticals market, accounting for 53.8% of market's value.

Growth of Indian Pharmaceutical Industry

Today, India's pharmaceutical sector is at the forefront of the country's science-based industries, with broad skills in the complicated field of drug manufacturing and technology. India has one of the largest and most advanced pharmaceutical industries among developing countries. It employs millions of people and ensures that crucial pharmaceuticals are supplied to India's large population at reasonable prices. In the complicated sector of drug manufacturing and technology, India's pharmaceutical industry has developed a wide range of competencies.

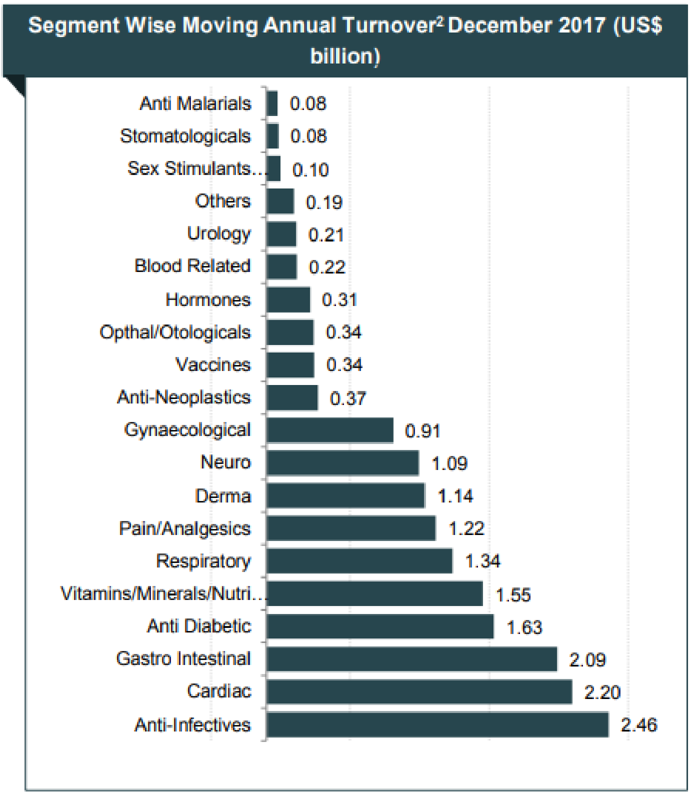
India's pharmaceutical sector booming is quite phenomenal. From small beginnings during the first post-independence decade, the industry has come a long way and become very robust today. This industry is able to weather the impact of the three F's – Finance (inflation in the economy), Fuel price escalation and food shortage on the pharmaceutical sector reflect robustness, as the prices are hardly hit despite the rapid fall of the sensex.



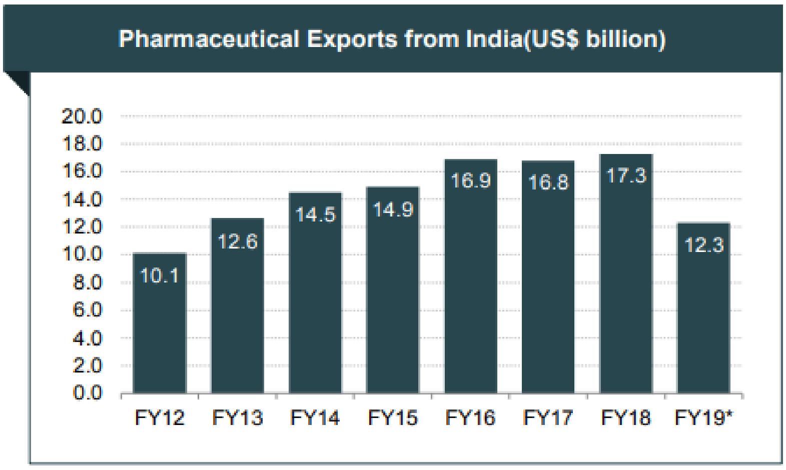
The pharmaceutical industry produces valuable life-saving drugs along with numerous over-the-counter drugs such as paracetamol. The growth of an industry is highly dependent on the regulatory environment. India had a product patent regime for all inventions under the Patents and Designs Act 1911. However, in 1970, the government introduced the new Patents Act, which excluded pharmaceuticals and agrochemical products from eligibility for patents. This exclusion was introduced to break away India's dependence on imports for bulk drugs and formulations and provide for development of a self-reliant indigenous pharmaceutical industry and the same helped in-

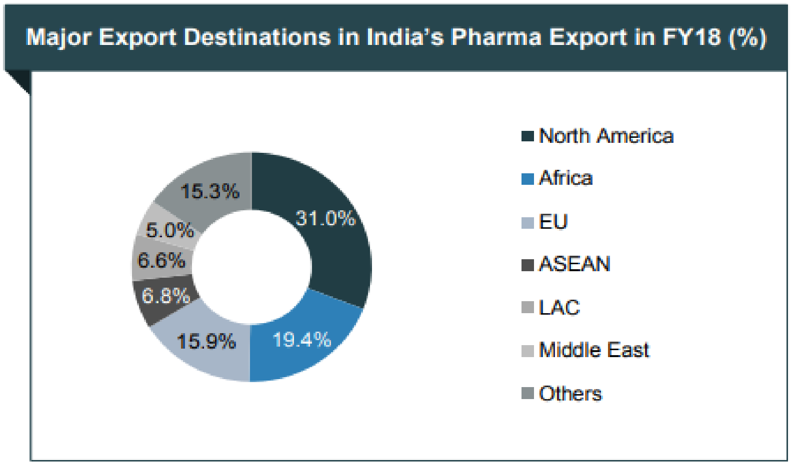
1. Reduction in the manufacturing costs in terms of license fee.
2. Reduction in the costs involved in R&D.
3. Diffusion of technology and knowledge through reverse engineering.

The lack of protection for product patents in pharmaceuticals and agrochemicals had a significant impact on the Indian pharmaceutical industry, leading to the development of significant expertise in reverse engineering of drugs that are patentable as products throughout the industrialised world but not in India. As a result, the Indian pharmaceutical sector flourished quickly by manufacturing less expensive versions of a number of patented drugs for the home market, and then aggressively expanding into the worldwide market with generic drugs once the foreign patents expired. The growth of the Indian pharmaceutical business remained gradual until 1970, when government investment in the industry breathed new life into the local pharmaceutical industry. In addition, the Patents Act provides a number of safeguards to prevent abuse of patent rights and provide better access to drugs.



Product Patents were introduced in India by the Indian Patents (Amendment) Act, 2005, which marked the start of a new patent regime aimed at preserving patent holders' intellectual property rights. India's commitment to the World Trade Organization (WTO) on subjects relevant to the Agreement on Trade Related Aspects of Intellectual Property Rights was fulfilled by the Act (TRIPS Agreement). The Act repealed product patents for pharmaceuticals, food, and agrochemicals, allowing only patents for manufacturing techniques. On drug patents, automatic licensing was implemented, and the statutory term was reduced to seven years. This ushered in the era of reverse engineering, in which companies created new products by altering their manufacturing techniques.





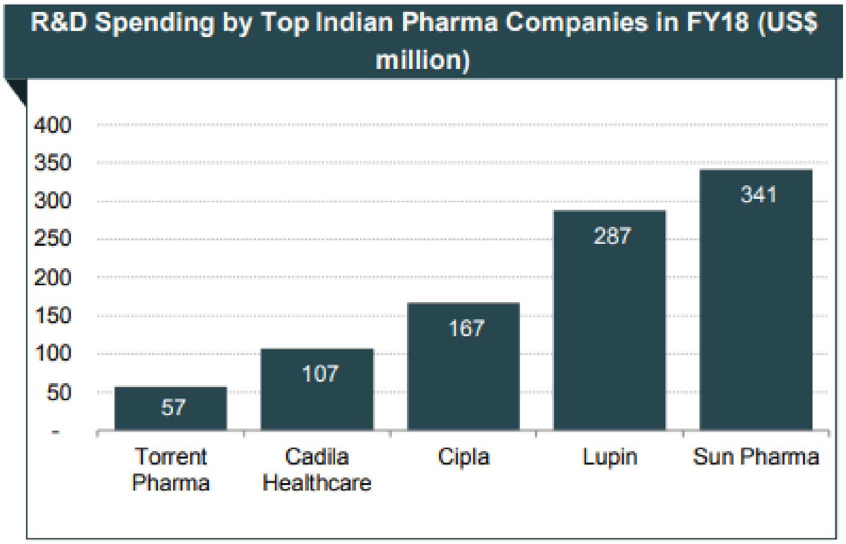
India does have quite a few advantages, but the pharmaceutical industry needs a proper marketing strategy to be put in place before banking on the government for concessions[9]. The advantages India has are:

- **Cost effective chemical synthesis:** Implementation of value engineering in chemical synthesis of various drug molecules drastically improves cost benefit. Fast development track record
- **Provides bulk drugs**: Provides a vast a wide range of bulk drugs and variety of bulk drugs and also enhances exports of sophisticated bulk drugs.

- **Competent workforce:** India has a pool of easily available professional expertise with high managerial and technical competence and these professionals are proficient in English and other international languages, which facilitates international trading.
- **Legal and financial framework:** A successful 60-year-old democracy of India supports a strong legal framework and financial markets. International business and industry are well-established. This community also provide development framework.
- **Globalization:** India has a economy of the free market and supports globalization.
- **Consolidation:** India is now generating great opportunities from international pharmaceutical industries.

Major Indian Drug Companies

1) Dr. Reddy's Laboratories Ltd.
2) Ranbaxy Laboratories Ltd.
3) Lupin Ltd.
4) Sun Pharmaceutical industries Ltd.
5) Cipla Ltd.
6) Orchid Chemicals & Pharmaceuticals Ltd.
7) Nicholas Piramal India Ltd.
8) Wockhardt Ltd.
9) IPCA Laboratories Limited
10) Cadila Healthcare Limited



2.3. Segmentation and targeting

A market consists of people or organizations with wants, money to spend, and the willingness to spend it. However, most markets the buyers' needs are not identical. Therefore, a single marketing program for the entire market is unlikely to be successful. A good marketing strategy begins with discovering the differences that exist within a market, which is a process that takes time called, market segmentation, and deciding which segments will be treated as target markets. Market segmentation is customer oriented and consistent with the marketing concept. It enables a company to make more efficient use of its marketing resources. It targets each of the selected segments with a distinct marketing mix after evaluating their size and potential.

The marketer must persuade each segment's members that their product will meet their needs better than competing products. To do so, marketers try to create a distinct image for their products in the minds of consumers in comparison to competing products: that is, it positions its product as filling a special niche in the market place. The marketing environment contains a set of conditions within which the company must start its search for opportunities and possible threats. It is made up of all the actors and forces that have an impact on a company's capacity to effectively transact with its target market.

The actors in the company's local environment that have an impact on its ability make up the micro-environment to serve its markets; specifically, the company itself, suppliers, market intermediaries, customers, competitors, and publics. The company's macro-environment consists of six major forces: demographic, economic, natural, political, technological, and cultural.

Segmentation:

Market segmentation is defined as "the process of breaking a product's whole, heterogeneous market into many submarkets or segments, each of which tends to be homogeneous in all significant aspects." Markets could be split in a variety of ways. Instead of mentioning a single market for shoes,' for example, it may be divided into multiple sub-markets, such as shoes for executives, Doctors, College students etc. Geographical segmentation on the very similar lines is also possible for certain products.

Requirements for markets segmentation:

The following principles must be followed for market segmentation to be effective and result-oriented:

(1) Segment measurability,

(2) Segment accessibility, and

(3) Segment representational ability.

The primary goal of market segmentation is to track changing customer behaviour trends. It's also worth remembering that there are various and intricate variations in consumer behaviour. Therefore, the segments must be able to provide precise measurements. However, this is a challenging task, and the portions must be reviewed on a regular basis. Because of distribution, advertising media, salesmen, and other factors, the second criteria, accessibility, is considerably easy. Newspapers and publications can also be useful in this regard. For instance, there are magazines aimed solely towards teenagers, professionals, and so on. The third requirement in each segment's represents ability. The parts should be large enough and profitable to be regarded independent markets. Individuality is required for such portions. In the case of industrial markets, the category is usually tiny, but in the case of consumer items, it is significantly larger.

Benefits of segmentation

1. The manufacturer is in a better position to determine and compare his products' marketing potential. He can determine whether or not a product will be accepted, as well as the level of resistance to it.
2. The market segmentation result serves as a guide for adjusting production so that manpower, materials, and other resources are used most profitably. In other words, the organisation can effectively manage and prioritise its resources.
3. Without losing market share, the necessary changes can be researched and executed. As a result, a product line may be diversified or even phased out.
4. It aids in determining the most effective advertising gadgets as well as their outcomes.
5. Appropriate scheduling for new product introductions, promotion, and other activities might be easily determined.

Segmentation and aggregation

The term "market aggregation" is the polar opposite of "market segmentation." Aggregation refers to the practise of grouping all product marketplaces into a single mass. Instead of segmentation, production-oriented businesses frequently use the aggregation method. In this idea, management perceives all purchasers as a single group because they only have one product. Market aggregation allows a company to take advantage of economies of scale in terms of production, pricing, and physical distribution and promotion. However, the concept's usefulness in a consumer-oriented market is debatable. When consumers are divided into heterogeneous groups, the 'whole market' concept envisioned by market aggregation may not be viable in today's marketing.

Market segmentation is based on the following criteria:

Market segmentation is the process of determining a large enough number of common customer criteria to divide a product's total demand into economically feasible segments. Between the two extremes of total homogeneity and total heterogeneity, these portions fall. The following are the many portions that are now popular:

1. Geographic segmentation: This type of segmentation was the first to occur chronologically, and it was used for planning and administrative purposes. Marketers frequently find it useful to divide the country into areas in a systematic manner.Standard regions are extensively utilised by the government, and it facilitates the collecting of statistics, which is one of the major benefits of adopting this scheme. Most national manufacturers divide their sales territory into state- or district-based sales territories.

2. Demographic segmentation: This strategy divides customers into homogeneous groups based on demographic characteristics such as age, gender, education, income level, and so on. This is thought to be more meaningful because the focus is ultimately on the client. Because people in the same group can have more or less identical traits, the variables are easier to distinguish and quantify than in the first type. For example, in the instance of shoes, each group's needs and preferences may be assessed with more accuracy.

(a) Age groups: Manufacturers of specific specialty items usually take into account age groups. Toys, for Example: Even when parents make purchases, children have a significant influence. The following is a breakdown of the market by age groups: (I) kids, (ii) teenagers, (iii) adults, and (IV) adults.

(b) Family life-cycle: Another way for demographic segmentation is the family life-cycle. The term "family life cycle" refers to the several stages that occur in the life of a typical family. 'Decision-making units' are the names given to these steps (Dumps). The following eight stages are identified using a widely accepted system: (i) Young, single, (ii) Young, married, no children, (iii) Young, married, youngest child under six, (iv) Young, married, youngest child over six, (v) Older, married with children, (vi) Older, married, no children under eighteen, (vii) Older single, (viii) Others. Although the distinction between young and old is not obvious, the concept serves as a good framework for segmenting the entire population into sub-groups for more in-depth examination.

(c) Sex: In the consumer market, sex influences purchase motives; for example, in many products, women demand specific styles. A bicycle is an illustration of this. This type of segmentation is beneficial in a variety of ways. Recent research, on the other hand, suggests that traditional distinctions are rapidly fading, and that this type of segmentation is no longer valid. One explanation for this is that more women are seeking employment. This is a blessing in disguise because a variety of new products, such as frozen food, are now in high demand, household appliances, etc. Successful attempts to remove barriers of discrimination against women have generated many market opportunities. Interestingly it has not been easy, however, to persuade men to adopt things that have historically been associated with women.

3. Socio-psychological segmentation:

The segmentation is based on social class, such as working class, middle-income groups, and so on. Because marketing is theoretically linked to one's "capacity to buy," this segmentation is useful in determining a class's purchasing behaviours.

4. Product segmentation:

When market segmentation is done on the basis of product qualities that are capable of meeting particular unique needs of customers, such a method is known as product segmentation. The products, on this basis, are classified into:

1. High-end items, such as automobiles and apparel.
2. Maturity items, such as cigarettes and razor blades
3. High-status items, such as most luxuries.
4. Anti-anxiety items, such as medicines and soaps.
5. Products have several functions, such as fruits and vegetables.

The benefit of this sort of product segmentation is that it focuses on disparities between the items that make up marketplaces. This method is known as a sensible approach when the products involved have significant disparities.

5. Benefit segmentation:

Russell Hally was the first to establish the idea of benefit segmentation. Under this method, the buyers, rather than the demographic criteria outlined above, provide the basis of segmentation in this strategy. Consumers are questioned in order to determine the importance of various benefits they may expect from a product. There are two types of benefits or utilities: generic or primary utilities and secondary or developed utilities. The following table would explain this aspect.

6. Volume segmentation: Another method of segmenting the market is by purchasing volume. The buyers in this approach are purchasers and single unit purchasers. This research can also be used to examine how different groups of people shop.

7. Marketing-factor segmentation: These methods of segmentation are based on the responsiveness of purchasers to various marketing activities. This strategy includes actions such as price, quality, advertising, promotional gadgets, and so on. "If a manufacturer knew that one identified group of his consumers was more receptive to changes in advertising expenditures than others, he may find it profitable to increase the quantity of advertising focused at them," R.S. Frank explains. If it was discovered that customers reacted differently to changes in pricing, packaging, product, quality, and so on, the same type of customising would be suitable.

Product category	Generic or primary utilities	Secondary or evolved utilities
Tooth-paste	Cleaning	Good taste, breath freshening, brightness
Shampoo	Cleaning	Shiny hair, thickening hair
Aspirin	Pain control	Speed of action, taste
Automobiles type	Convenience	Economy seeking, status, quality, i.e., speed

It's important to consider how these factors affect marketing. The answer is straightforward, as modern marketing is consumer-centric, with customers' psychology, social, and economic characteristics serving as the foundation for marketing decisions. The concept of market segmentation was born out of this acknowledgement given to consumers.

Markets created on the basis of segmentation:

Because purchasers' characteristics are never the same, any market can now be subdivided to a significant amount. This isn't to say that manufacturers shouldn't try to segment their markets. Marketing tactics to be used can be grouped into the following categories based on the degree of segmentation:

1. **Undifferentiated marketing:** When the organization's economies of scale prevent segmentation of the market, the complete market notion emerges. Differentiation is not required in the case of totally standardised items with no replacements available. Firms, such as Coca-Cola, may use mass advertising and other mass marketing strategies in such circumstances.
2. **Differentiated marketing:** A company may opt to operate in many or all market segments and develop various product-marketing strategies. This also aids in the development of rapport between the producer and the consumer. In recent years, most businesses have favoured a distinct marketing strategy, owing to the wide range of consumer demand. Cigarettes, for example, are now available in a variety of lengths and

filter kinds. This gives the buyer the option of choosing between filtered, unfiltered, long, and short cigarettes. Each type also provides a foundation for segmentation. Though unique marketing is intended to increase sales, it is also important to remember that it is a costly endeavour for the company.

3. **Concentrated marketing:** Both of the above principles require a comprehensive market approach, either with or without segmentation. Another alternative is to focus your efforts on a few markets that can provide you with prospects. 'Instead of spreading itself widely across the market, it concentrates its forces to acquire a strong market position in a few areas,' to put it another way. After that, new items are launched, and test marketing is carried out, and this strategy is implemented.1. This technology was used to create a consumer product called 'Boost' by Horlicks' makers. The underlying premise is specialization' in markets with actual potential. Another significant feature of this strategy is that the benefit of one segment is never counterbalanced by the benefit of the other. However, in the first two types, the good and bad segments are averaged.

Targeting

Market segmentation highlights the company's market-segment opportunities. The company must now assess the various segments and determine how many and which to serve.

A. Evaluating the market segments

The firm must consider three elements while evaluating distinct market segments: segment size and growth, segment structural attractiveness, and corporate aims and resources.

(a) Segment size and growth: A company's first consideration should be whether a potential segment is the proper size and has the right growth characteristics. Large firms prefer large-volume sales segments and ignore minor parts. Small businesses, on the other hand, shun enormous segments since they require too many resources. Companies desire to grow their sales and earnings, therefore segment expansion is a desirable trait.

(b) Segment structural attractiveness: Even if a section has ideal size and growth, it may nevertheless be unprofitable. The following are the five risks that a firm may face:

(i) Threat from industry competitors: If a market niche already has a large number of competitive competitors, it is undesirable. This situation could lead to a lot of pricing wars.

(ii) Threats from potential entrants: i.e. from new competitors who, if they enter the market at a later time, will bring new capacity, significant resources, and will quickly capture a piece of the market.

(iii) *Threat of substitute products:* If there are too many substitute items in a segment, it will result in brand switching, price wars, low profits, and so on

(iv) *Threat of growing bargaining power of buyers:* If the buyers have strong bargaining power, a segment is undesirable. Buyers will try to negotiate a lower price and demand higher quality or services, all at the expense of the seller's profits.

(v) *Threat of growing bargaining power of suppliers:* If the company's suppliers of raw materials, equipment, finance, and other services are able to raise prices or reduce the quality or quantity of requested goods, a segment becomes undesirable.

(c) Company objectives and resources: Even if a segment is fundamentally attractive and has positive size and growth, the corporation must assess its own aims and resources in regard to that area. Some appealing sectors may be disregarded if they do not align with the company's long-term goals.

Even if the segment aligns with the company's goals, it must examine if it has the necessary expertise and resources to succeed in it. The segment should be dismissed if the company lacks one or more necessary competences needed to develop superior competitive advantages.

B. Selecting the market segments

The organisation expects to uncover one or more market sectors worth entering as a consequence of assessing several segments. The corporation must pick which segments to service and how many. This is the target market selection problem. A target market is a group of buyers who have similar demands or qualities that the company chooses to cater to. There are five target market selection patterns that the organisation can explore.

1. Single segment concentration: In the most basic scenario, the corporation chooses a single section. This company may have limited capital and wish to focus on a single segment, which could be a segment with no competitors or a suitable launching pad for subsequent segment expansion.

2. Selective specialization: A company chooses a number of segments, each of which is appealing and aligns with the company's goals and resources. This' multi-segment coverage' method provides benefit over 'single-segment coverage' in terms of diversifying the firm's risk, i.e. the firm can continue to earn money in other segments even if one section becomes unappealing.

3. Product specialization: Here, the company focuses on marketing a certain product that it offers to a variety of market sectors. The firm establishes a solid reputation in the specific product sector as a result of this technique.

4. Market specialization: Here, the company focuses on meeting the needs of a certain customer segment. The company establishes a strong reputation for specialising in serving this client group, and it becomes a channel agent for all new items that this customer group could be interested in.

5. Full market coverage: Here, the company tries to provide all customer groups with all of the products they possibly require. A full market coverage strategy is only possible for large companies. Philips (Electronics), HLL, etc (Consumer non-durables). Large companies that want to go after the entire market might do so in one of two ways: undifferentiated marketing or specialised marketing.

Positioning

Assume a corporation has done its homework and identified its target market. If it is the only company that serves the target market, it will have little trouble selling the goods at a profit-generating price. However, if a number of firms pursue this target market and their products are undifferentiated, most buyers will buy from the lowest priced brand either, all the firms will have to lower their price or the only alternative is to differentiate its service or product from that of the competitors, thereby securing a competitive advantage and better price and profit.

The manner in which a company will set itself apart from competitors must be carefully considered. Assume a scooter manufacturer, such as Bajaj, is concerned that scooter purchasers perceive most scooter brands to be comparable and, as a result, choose their brand primarily based on pricing. As a result, Bajaj may decide to differentiate the physical qualities of its scooters.

"Differentiation is the process of creating a set of meaningful differences between a company's offer and those of competitors" offers. May be Bajaj asserts that its scooter is superior to others because of its superior fuel efficiency and economy, LML claims greatest durability and enhanced physical characteristics, while Vijay Super claims the highest mileage. As a result, all scooters appeal to different purchasers in different way.

Any scooter company can offer this comparison chart to potential buyers if they wish. Not all buyers will notice or be interested in all the ways one brand differs from another. Such firm will want to promote those few differences that will appeal most strongly to its market should be targeted Designing is the act of positioning the company's offer so that is occupies a distinct and valued place in the target customer's minds. Positioning calls for the company to decide how many differences and which differences to promote to the target customers.

How many differences to promote: Many marketers advocate aggressively to the target market, only one benefit is being promoted. According to Rosser Reeves, a corporation should design and stick to a unique selling proposition (USP) for each brand. Godrej refrigerators, for example, claim to offer automated defrost, whereas Rin claims to have dirt-blasters. Each brand should choose an attribute and claim to be "number one" in that category. What are some "number one" positions to consider?

The major ones are "best quality", "best service", "best value", “most advanced technology” etc. If a company hammers at any one of following positioning points and delivers it properly, it will probably be best known and recalled for this strength.

In addition to single benefit positioning, a corporation can try double benefit positioning, such as Colgate toothpaste, which claims to clean teeth while also protecting the enamel. There have even been instances of successful triple benefit positioning, such as in the case of the machine "washes, rinses, and even dries the clothing," according to Videocon Washing Machines. Many people desire all three advantages, and the challenge is to convince them that the brand delivers all three.

What differences to promote: A company should promote its major strengths provided that the target market values these strengths. The company should also recognize that differentiation is a continuous process. It would seem that the company should go after cost or service to improve its market appeal relative to competitors. However, many other considerations arise.

1. How important are improvements in each of these attributes to the target customers?
2. Can the company afford to make the improvements, and how fast can it complete them?
3. Would the competitors also be able to improve service if the company started to do so, and in that case, how would the company react?

This type of reasoning can help the company choose or add genuine competitive advantages.

Communicating the Company's positioning: The Company must not only create a clear positioning plan, but also successfully communicate it. Suppose a company chooses the "best in quality" positioning strategy. It must then make sure that it can communicate this claim convincingly. Quality is communicated by choosing those physical signs and cuts that people normally use to judge quality. Other marketing aspects are frequently used to indicate quality. A high price usually indicates a high-quality item. The product's quality image is also affected by the packaging, distribution, advertising and promotion. The manufacturer’s the perception of quality is also influenced by reputation. In order for a quality claim to be credible, it must be backed up by evidence surest way is to offer "satisfaction or your money back". Smart companies try to persuade buyers of their worth and guarantee that this quality will be delivered or their money will be refunded.

2.4. Motivation and Prescribing Habits of Physician

Prescription

The prescription is defined in the art of compounding as, "*an order written by the physician, dentist, veterinarian or any licensed practitioner directing the pharmacist to compound and dispense or supply medication for a period and usually accompanied by directions for its administration or use".*

The most common type of prescription is one that is used to:A means of communication between the physician, patient and pharmacist.

1. Legal permission to dispense a prescribed medication. Therapeutic record source.
2. A treatment approach.
3. A method for conducting a clinical trial.
4. Prescription is really a decision of the physician for choosing between different alternatives. If the decision is to prescribe, what therapy should be prescribed, what drug should be prescribed, what brand should be prescribed, and so on? The choice is either sensible or irrational. A rational buyer makes a sensible purchase with certain goals in mind. Pharmaceutical company advertising and promotion is a valuable source of information on new drugs.
5. Most of the drugs a physician prescribes are habitual.
6. The attendance at hospital staff meetings seems to influence the adoption of new drug positively.
7. Formularies probably have a significant effect on prescribing.
8. Control and regulatory measures may have a positive effect on prescribing.
9. Patients and society expect of the physician that the claims made in the package inserts are not exaggerated in the case of ethical drugs.
10. Use of clinical, hospital and community pharmacists for various types of drug information.
11. Use of physician desk reference for drug information.

Prescribing Behavioural Studies:

Regular and continuous study of the prescribing behaviour of physicians is essential for the pharmaceutical marketers to formulate gainful strategies. Due to competition between pharmaceutical companies, the prescribing behaviour of doctors undergoes frequent and rapid changes. The studies conducted revealed that:

1. There is a market relationship between the personal preference for the company and the preference for a given drug for both mild and severe conditions.

2. Preference for a given company may predispose to ‘trying out ‘a new product, but will not necessarily influence use over a prolonged period after the introduction of the drugs.
3. The preference for a given company will predispose the physician not only towards trying the product, but also toward preferring it.

Patient Compliance

The importance of patient cooperation in the treatment process cannot be overstated. There are several factors affecting patient compliance. A patient will not be able to cooperate unless the first and most critical step of having the prescription filled is taken. The expense of therapy based on the patient's income is occasionally an issue. Drugs with a relatively high cost would influence compliance in one or more of the following ways: Failure to have prescription filled.

1. Inability to receive necessary refills.
2. Failure to take the medication as frequently as prescribed.
3. Premature medication discontinuation to ‘save some part’ for a future episode of illness.

On the contrary, it might be concluded that the patient who pays a high price for a drug might treat the drug and its use with respect and therefore be more compliant. This also means that everything else being equal, the patient again becomes less compliant if his drug is paid by third parties.

In some cases, the physician’s choice has a dual effect on encouraging compliance.Certain psychotropic medicines, for example, can be taken in big doses twice a day rather than four times a day. Compliance would be aided by the decreased cost and less frequent administration.

Despite meeting with a physician, the majority of consumers want to purchase an over-the-counter (OTC) product from a pharmacy.

Patient motivation

The mental process, or inclination, to follow the doctor's advice might be defined as motivation. Consumer motivation may help to determine:

1. The self-medication- prescription mixture for that individual.
2. The ultimate future of drug distribution.
3. Social and legal pressure on present and future marketing system.

Consumer Motivation: Psychological studies indicate the human activities, including human behaviour which is directed toward satisfaction of certain basic needs. When basic needs are fulfilled, he is then free to take care of the next item on your to-do list:

1. The psychological needs: This category includes hunger, thirst, and sleep, among other things. These are the most basic requirements, and unless they are met, other needs are irrelevant.
2. The safety requirements: These are requirements for economic and social security rather than physical safety.
3. Belonging and love are essential: The requirements for affectionate relations with individuals and recognition in society.
4. The esteem needs: People need self-esteem, a favourable opinion of oneself as well as the opinion of others in the society. The fluffiness of these needs gives a sense of self-assurance and usefulness to the world.
5. The need for self-actualisation: This is the desire to achieve to the maximum of one's capabilities.
6. The desire to know and understand: This needs to the process of searching for meaning in the things around us.
7. Aesthetic requirements: This is the desire for beauty.

Consumer Decision Making in Health Matters

The following is a list of decisions that an individual makes as a result of their changing sense of well-being:

1. Extent of interference with normal activities.
2. The clarity of symptoms.
3. The symptomatic person's tolerance threshold.
4. The severity and familiarity of the symptoms Assumption about cause.
5. Assumption about prognosis.
6. Interpersonal influence.
7. Other life crises of the symptomatic person.
8. Assumption that the condition is treatable.
9. Managing first impressions.

These considerations play a part in the patient's complicated decision-making process as he seeks his illness carrier. Factors That Motivate a Prescription

The factors that influence motivation prescriptions from clinicians can be broadly categorized in five factor groups. They are

1. Patient-Doctor relationship
2. Medical Representative factors
3. Promotional factors
4. Economic factors
5. Miscellaneous, which do not belong to any of the above groups.

While the above factor groups collectively interplay to motivate prescriptions, they all affect the emotional part of the prescribing process. There are several studies, write- ups and personal experience articles available, which deal with either one or two of the factors. Very few studies analyse the factors by focusing on their collective interplay to assign relative weightage to these factors.

1. Patient-Doctor Relationship

Patient-doctor relationship is an important factor, which motivates prescription from a physician. In the consulting room, there is a patient of a physician and his interaction with the physician unleash the complexities of human interaction, which overpower the rational judgement of a physician, whether to prescribe and what to prescribe. His scientific knowledge and training ideally should guide him to decide whether and what to prescribe. He may rationally conclude that a prescription is not indicated. However, at times he perceives that the patient expects a prescription. He knows that the patient has been a regular to his clinic and is apprehended that displeasing him by denying a prescription may lead him to believe that the clinician is an under-prescriber. This could possibly lose him a steady patient. His practice could be at risk. There are sub-factors in this factor group. They are individually dealt with, in the light of available literature, hereunder.

a. Patient's demand for prescription

Physicians are under increasing pressure to fill prescriptions for patients bent on receiving prescriptions for one of the advertised medications. Many doctors write prescriptions that were not always warranted by the patient's condition. Sometimes patient demand could be the most frequently mentioned motivation for over-prescription of drugs.

b. Patient demand for generic prescription

A generic drug is an un-branded drug. After the expiry of a patent, the copy of the original patent product sold in the market a generic form of a drug is what it's called. It is labelled using only the active pharmaceutical ingredient (API). Hospitals and institutions buy generic drugs in bulk quantity, and prices and margins in this market are much lower than in the retail segment. The generic products enjoy low unit margins compared to patented prescription drugs. It is a market with high volumes but low margins.

The global market of generic drugs $533 billion by 2021 from $352 billion in 2016 at a compound annual growth rate (CAGR) of 8.7%, from 2016 to 2021. The Indian pharmaceutical companies are well positioned to exploit the overseas generic market due to high process development skills, and low manufacturing cost base. A generic pharmaceutical company, in the developed world, wishing to market an equivalent generic to an innovator's patented product uses a significantly less costly and faster process, called the Abbreviated New Drug Application (ANDA). It is important to understand that the generic manufacturer relies on the safety and efficacy data provided earlier by the innovator. He only has to prove to the product licensing authority that his product is technically equivalent to the branded product.

Many Indian pharmaceutical companies have started producing generic drugs, which are generally sold at 50% price when compared to their equivalent branded drugs In India, the rural chemists and doctors prefer to buy generic drugs because of the price factor.

It is therefore hypothesized that, In all the cases in this study, the psychological factors and folk beliefs were more important than pharmacological considerations. Another study suggested that the doctors even found it difficult to dissuade the patients from continuing with the obsolete drug. It is therefore posited that, the influence of the original prescriber and the patient's dependence on the drug dissuade the physician from changing the prescription.

c. Patient's favourable- unfavourable attitudes towards a drug

Researchers have observed that less attention has been paid to patient's feelings toward a treatment therapy. It is also a fact that on several occasions the encashment of a prescription depends upon patient's favourable-unfavourable attitudes toward a drug.

It has been observed that those patients, who have been regularly taking an obsolete or inappropriate drug, prefer to stick to the drug, calling the drug 'an old friend'. Some of them even thwart the doctor's efforts to change the dosage. Some patients feel very comfortable with the drug they are used lo, and put forward perceived symptom control as the reason for continuing with the drug A major factor for their attachment to the drug is its familiarity and their reliance on the drug. Such patients mostly succeed in achieving their objective of getting a prescription for the drug during consultation, despite the clinician's reluctance to prescribe. It is therefore suggested that, if a patient has unfavourable attitude towards a drug, the clinician will not prescribe the drug.

2. Medical representatives

Way back in 1850, a medical detail man, for the first time in history, knocked on the door of an American clinician and requested to spare a few moments from his time. More than 150 years later, the dialogue, or at times the monologue (!) still continues, and the clatter is ever increasing. The present day medical detail man or a medical representative or a professional sale representative (PSR) is armed with information and specialized training, and empowered to extend favours, gifts and trinkets to the physicians.

Medical representatives are indisputably the single most effective tool that the pharmaceutical companies employ to convince the physicians to prescribe their drugs. Medical detail man is the most powerful component of pharmaceutical promotion. A medical representative is the most direct point of contact with the physicians the pharmaceutical industry also supports the living of another 10,000 to 15,000 people employed as direct-to-physician marketing specialists.

Although very costly, personal selling remains the pharmaceutical industry’s foremost choice for promotion. The reason is very simple: it is the most effective tool for promotion of prescription medicines. The rule of eighty-twenty, as it is popularly referred to, also applies to the pharmaceutical industry. Twenty per cent of the physicians contribute to 80 percent of the sales generated by a medical representative. Therefore a small increase in the number of effective prescribers leads to a major change in the volume of prescriptions. The salaries and expenses of medical representatives remain the largest single marketing expenditure of pharmaceutical companies. The medical representatives are probably the most highly trained professional sales persons across all industries. Their employers, the drug companies, know very well that they are highly influential, but they do not openly admit this; while doctors know very well that this influence is harmful, but they would not admit this fact. Doctors do understand that the MRs is trying to influence their prescribing, but they continue to believe that they are beyond such influence.

Therefore, it is hypothesized that, the physicians do not get favourably impressed by misleading logic and various methods of influence used by the medical representatives. They do not appreciate aggressive selling styles adopted by the MRs. They do not like to be manipulated for prescriptions. A medical representative making persistent demands is not favourably looked upon by the physicians. A medical representative knows that the physicians need to be constantly reminded of their brands. They even expect them to be regular in their visits. A physician is called upon by 4-6 representatives a day and each one of them tries to hammer down 6-8 brands on him. Under such circumstances, a physician would find it convenient to avoid prescribing requests from a medical representative under the pretext of his not being regular in calls.

3. Promotion

WHO defines pharmaceutical promotion as, “all producers' and distributors' informative and persuasion efforts with the goal of inducing the prescription, supply, purchase, and/or use of pharmaceutical products drugs.” Thus stimulation of sales, the aim of promotion is built in the definition of the promotion. Medical agents' actions, as well as all other types of sales promotion, such as journal and direct mail advertising, participation in conferences & exhibitions, the use of audio-visual materials, the provision of drug samples, gifts, hospitality for the medical field and seminars, etc.

Promotion takes away the largest chunk of these allocations. The marketing interest of a pharmaceutical marketer and the healthcare interest of the state are always at crossroads This dilemma is characterized by the continuous tension created by state’s commitment to optimal use of medicines, when they are absolutely needed; and the pressure the companies undergo to continuously expand sales WHO described this dilemma as, “an inherent conflict of interest between manufacturers' legitimate corporate interests and providers' social, medical, and economic needs the public to select and use drugs in the most rational way.” The pharmaceutical marketers have been using several tools to effectively promote their products to the medical profession. These tools together comprise the ‘promotion mix’. The conventional tools are samples, gifts & trinkets, advertisement & publicity, hospitality for the medical profession, CME programmes, seminars & workshops, peer group influence, technical information and evidence, etc. Severe competition and constant pressure to expand sales, at times, lead to unethical promotional practices. Almost two-third of world’s countries has either no laws to regulate pharmaceutical promotion or do not enforce the regulations.

Nevertheless, promotion is the most important factor group, which affects the prescribing behaviour of the physicians.

a. Gifts and trinkets

It is not an uncommon site to see the doctors' tables topped with innumerable innocuous looking items bearing brand names/logos belonging to pharmaceutical companies. Gift relationship between the pharmaceutical industry and the physicians is unique in the sense that what is implicit is not admitted by either side. Inherent to this relationship is the dilemma to concede or not, on the physicians’ part, that their prescribing behaviour can be affected by ball pens and coffee mugs. Gifts and trinkets affect the prescribing behaviour of the physicians.

b. Samples

The original intention behind distributing samples amongst physicians was to facilitate trials on patients and providing an opportunity to the physicians to have first-hand experience of using the drug and evaluating its efficacy. In the United States, some doctors have admitted that they see medical representatives with a view to receiving free samples from them. In UK and other similar countries, where the drug cost is met by the exchequer, doctors find the free samples handy for use in emergency situations and also during odd times when the pharmacies are closed. More often than not, the doctors use free samples because they are handy. It is likely that while doing so they perhaps dance to the tune of the pharmaceutical companies which want them to form a habit of using their drug. Once a drug is found helpful, both the doctor and the patient exhibit hesitation in changing over to other drug. The medical representatives find it very expedient to provide free treatment of a costlier new drug for a week for a patient, as they are very sure that this would be more than compensated, when the patient on being discharged, will be recommended the drug for use over several months

c. Authentic information

Educational intervention appears to positively affect the prescribing behaviour of physicians. As earlier stated, part of the prescription process is rational, wherein the physician tries to rely on the repertoire of his professional knowledge to find out the most suitable drug molecule to be used in a given disease condition. So far his concern for the patient benefit is genuine, and he will be guided by unbiased technical information on the pros and cons of the use of a particular medicine.

Therefore, it is proposed that, Product information from authentic sources positively affects the prescription behaviour of physicians

4. Price

Price of medicines is one of the strongest elements in pharmaceutical marketing mix. It is also, unfortunately, the most often misused element. The supply cost of branded drugs should include the cost of investment in research and development, an amortization of the cost of R&D even when it fails to deliver a commercially viable and marketable product, the cost incurred on the establishment and maintaining the manufacturing facility, the cost of meeting various regulatory requirements, product inputs, cost of marketing them to doctors, hospitals & patients, and a reasonable return for the manufacturer. However, the price of patented drugs is not elastic. It has nothing to do with supply or demand. At least the cost of supply has no relevance with the price of the drug. The pharmaceutical sector is unique in this regard. It is a seller's market. The ultimate consumer, the patient, has no choice in the matter of a course of treatment, as the interface between the product and the patient is the doctor, for whom the issues of price and affordability are secondary, or the pharmacies whose interest is in selling medicines at higher prices.

Prescription drugs generally do not compete on price factor. In fact, they need not. The patient's priority is to get well soon. The issue of price comes in play only when it is too high to be affordable. As far as the demand part is concerned, it is up to the marketing department of a pharmaceutical company. As long as the marketing department is successful in convincing the doctors that a particular drug is the best in its segment, they continue to prescribe; and the demand continues to exist and at times grows.

5. Miscellaneous factors that affect prescription behaviour

The prescription behaviour of the physicians is affected by several other factors, which cannot be grouped under any of the foregoing factor groups. Nevertheless, they need to be evaluated as they play a significant role in altering the prescription behaviour of clinicians.

a. Feedback/reinforcement from patients

Feedback from patients is a major factor, which reinforces the use of a new drug. A doctor becomes aware of a new drug by journal articles and advertisements released by pharmaceutical companies. When a doctor faces a disease condition warranting the use of such a drug, he considers using the drug; and with his first use, the process of evaluation starts. If the information received by him so far is in favour of the drug, he tries the drug on few patients. If the outcome of the trials is positive, he will use it in more patients. With each successful trial the doctor would be inclined to use the drug in more number of patients. Thus continuous reinforcement will ensure continuous use of the drug, leading to regular prescription of the drug.

Therefore, it is posited that, when a doctor receives positive feedback from patients, he is more likely to prescribe the drug on regular basis. When a doctor receives negative feedback from patients, he reduces the number of prescriptions of the drug or stops prescribing it.

b. Corporate image of a company or a brand

There were times when the quality benchmark alone was enough to generate prescriptions. Those were the early days of the pharmaceutical industry in India; and quality was the sole reason to prescribe a drug, as it was a value, which was considered to be difficult to be instilled in a drug product in those days. The technology was primitive and production techniques were not yet standardized. But soon the technological advancement revolutionized the industry and quality could be easily built up in pharmaceutical products, provided that the company producing the drugs was capable enough to afford new technology and trained personnel. Quality can only be infused in the products, if the producer has a clear and well-defined intention to do so. Thus the idea of a company being trustworthy in the matter of quality of drugs became popular. The corporate image of a pharmaceutical producer and the brand equity of his products could influence the prescription habits of physicians.

Therefore, it is postulated that, the corporate image of a company / brand is a factor that motivates prescriptions from physicians.

c. Challenging events

It is true that most of the changes in prescription behaviour occur after gradual accumulation of information leading to a change. Nevertheless, at times some shifts in the prescription behaviour are brought about abruptly due to some challenging events encountered by the doctors. The mechanism of such abrupt change works in an altogether different way than the slow adaptation process. In fact it is the lack of preparedness for a change that causes the reassessment of the prescribing policy. Clinical disaster is one of the challenging events that cause a rapid shift in the prescribing behaviour.

d. Volume of patients seen by a doctor

The doctors with large practices use new drugs early in the course of treatment and are better prescribers. The specialists and well-informed practitioners, who are generally socially active, are too busy to devote the required time to read medical literature to keep them update. They therefore generally depend on the information provided by the medical representatives and also the promotional information provided by the pharmaceutical companies for choosing a drug for prescription. Thus it has been largely held that the physicians who see a large number of patients would be more favourably disposed to the pharmaceutical companies and their medical representatives, than physicians who see a relatively fewer number of patients. Such physicians assign a higher value to the services provided by a pharmaceutical company and its medical representative, like promotional information, samples etc.

2.5. Market analysis, market and marketing research

For the pharmaceutical industry, environmental scanning or market analysis can range from the macro level (movements toward self-care, political trends) to the micro level (activities and trends within a given market). It is at the micro level that the industry is "data rich." Market is a term that may imply in a given situation. Its size and growth patterns arc a fundamental requirement of business. Management needs to know the characteristics of the market they are in, or which they may plan to enter. Historically, this application has always been the first demand of a business that finds it becoming concerned with its progress in the marketing area.

This is why; also the term "market research" is usually the forerunner to the broader marketing research. Once markets have been defined and characterized by market research, the need for marketing research quickly manifests itself. Although the two terms are often used interchangeably, it is useful to distinguish market research-determination and assessment of the qualitative and quantitative dimensions of a market (however defined) from marketing research-analysis of the effects of the various marketing activities of a firm and its competitors.

Pharmaceutical companies produces and market two types of products. One type is the prescription product that may be obtained by consumers only upon the presentation of authorization by a licensed prescriber. The other is the over-the-counter product that may be purchased without a prescription. The primary target of the marketing effort for prescription products is the population of licensed prescribers in the country, rather than the consumers of the products. Another target of the marketing effort for prescription pharmaceuticals is the population of licensed pharmacists in the country, this group having assumed more importance because of their increased role as decision makers with regard to the specific brand of drug to be dispensed to the patient. Here, too, however, the focus is on an intermediary rather than on the ultimate consumer.

The selling of prescription pharmaceuticals to the public also involves some atypical characteristics. Professional licensure is required for an establishment to stock and sell prescription products. Further, the seller (or dispenser) of these products must be licensed to do so. The selling of prescription pharmaceuticals to the public is thus restricted to the comparatively small numbers of pharmacists and pharmacies in the country, rather than to the substantially larger number of retailers and retail outlets, which would normally be the case for a consumer product.

Uniqueness also characterizes prescription products. Purchase of these products by consumers requires the presentation of authorization by a licensed prescriber in the form or a written prescription. A record of every transaction involving the sale or dispensing of a prescription drug to the consumer is therefore created and maintained, with these records being specific to the patient, physician, pharmacy, and product. As the majority of the population becomes covered by one of many public and private prescription payment plans, these data can also be found in their records. Indeed, the sale of such information has become a major source of revenue for payers.

Marketing Research is critical for the successful sustenance of any product or industry and Pharmaceuticals are no exception. Marketing occupies an important position in the organization, which is in today's competition scenario, more consumer-oriented. This consumer-oriented marketing is about finding the wants of the consumer and then satisfying them through the right product at right time and at right place. This activity of determining and satisfying the wants in a systematic manner is called as 'marketing research. According to Harry L. Hansen, "marketing research is the careful and objective study of product design, markets and such transfer activities as physical distribution and warehousing, advertising and sales management." American Marketing Association has defined marketing research as the gathering, recording and analysing of all facts about problems relating to the transfer and sale of goods and services from producer to consumer.

Market research is different from marketing research. Marketing research deals with all the points concerning various functions of the market like systematic investigation on products and services, research on new markets, sales methods, marketing policies etc. Market research however, deals with the facts and problems relating to sale of a particular product or service. Richard D. Crips has explained the difference between these two terms as, "marketing research is the systematic, objective and exhaustive research for and study of the facts relevant to any problem in the field of marketing whereas market research is restricted to the study of actual and potential buyers, their location, their actual and potential volume of purchases, and their motives and habits."

Functions of marketing research

- It helps in exploring new markets and their demands for the products.
- It helps in estimation of potential demand for a new product.
- It helps in production planning activity.
- It is useful in improving the effectiveness of the channels and methods ofdistribution
- It helps in getting customer feedbacks for the products and to do necessary improvements.

Sources of marketing research

Marketing research involves collection, examination and analysis of data or information related to the different aspects of the marketing effort of an organization. There are two sources, from which the required information of market trends can be collected,

1. Internal Sources

2. External Sources

1. Internal sources: The information is available in-house in form of sales turnover, promotional costs, various budgets allocated, future plans, etc. Internal sources of information help greatly in planning various activities.

2. External sources: There are two external sources from which the required information can be collected,

a) Primary Sources

It generates totally new information and collected through surveys. The primary sources of market information are,

- **i.** Sales representatives,
- **ii.** Retailers and wholesalers.
- **iii.** Doctors.
- **iv.** Consumers.

b) Secondary sources: The information is already available in the form of publications through reports, magazines, journals etc. There are certain agencies which gather the information after doing the proper survey of the market and present the data in a printed form. The main sources of secondary data for market research are:

- Industry associations.
- Trade associations.
- Published survey.
- Govt. and international publication.
- Market research agencies like ORG-IMS, Mackenzie, Earnst and Young etc.
- Free and paid websites.

Methods of market research:

In order to get the desired information related to marketing, organizations carry out independent surveys in addition to the sources available. A survey may be described as an enquiry to collect information from a number of respondents. A sample survey is conducted by randomly covering a section of respondents. Below are some of the methods generally used in Pharma market research activity.

- Personal interview method.
- Telephone interview method.
- Postal survey method.

- E-mail survey method.

Personal interview method is a very effective form of investigation in which skilled interviewers collect information from selected individuals. A personal interview is conducted by asking questions and recording the replies. A formal questionnaire is usually used for the interview. This method is costly and time consuming

Telephone interview method involves discussion on phone by asking a set list of questions relevant to the study. A large number of people can be interviewed in short span of time as it saves time in travelling and physically meeting people. The interviewers always give their frank opinion. The disadvantage is long discussion cannot be done on telephone. Also a technical fault in telephone creates disturbances.

In postal survey method, the respondents are contacted by sending the letters along with a questionnaire to be completed and returned. A reply paid envelope is also sent with the questionnaire in order to get a quick response.

E-mail survey method is becoming popular day by day as large numbers of people are using the Internet. The respondents are contacted by sending questionnaire through mails. It is also easy to send reminders to get the replies urgently.

Advantages of market research:

1. It supplies information regarding the consumer's response to a particular product introduced by the organization in the market.
2. It helps in launching new products.
3. It helps in studying the similar products by the competitors.
4. It gives an idea about future trends regarding the particular product.
5. It helps in designing sales strategies.
6. It helps to understand consumer response and their expectations from the product
7. It helps to discover reasons for resistance on the part of the consumers.
8. It helps in designing and making appropriate changes in the promotion strategy

Chapter 3: Product Decision

Learning Objectives:

After completion of this chapter students will able to learn

- Process of decision making
- Classification of decision
- Product line and product mix decisions
- Product life cycle
- Product portfolio analysis;
- Product positioning;
- New product decisions; Product branding, packaging and labelling decisions,

Till now we discussed the fundamentals of marketing, in this chapter, we will discuss the product related aspects, which increase the market share and creates the profits of organization. An organization takes different decision to increase profit for the business. Decision-making is an essential part of management process. All the management functions demand effective decision-making at all stages if they are to be successful. e.g, in planning the objectives and policies are laid down through a process of decision making. In organizing decision-making relates to the choice of structure, form and nature of the organization, division of work, delegating responsibilities etc. In controlling, decision making helps in deciding the performance standards, strategic control points, control procedures and so on.

A decision needs judgment and a thorough understanding of the subject matter, which needs decision. It is a point at which plans, policies and objectives are translated into concrete action. The manner of decision-making determines the success or failure in the business. It is, therefore, quite natural that the professionalized management has given so much importance to the techniques employed in taking correct decisions. Today's management process is giving more attention to sharing decision with subordinates. Extremely powerful mathematic models have also been discovered to apply to the process of decision-making.

A decision is a choice activity because there are alternatives to choose. When managers make decision, they choose i.e. they decide what to do on the basis of some conscious and deliberate judgments. Managers have alternatives available when they make decisions. It does require wisdom and experience to evaluate several alternatives and select the best one. The purpose of market segmentation has already been discussed in previous chapters. The selection of best suitable market segments and delivering the best fit product as per the requirement of market segments is the prime function of pharmaceutical product strategy in market. When it comes to launching a new product, these steps will help to capitalize the market share.

3.1. Product Targeting:

Thus, market segmentation should be followed by series of steps, namely, targeting, positioning, and profiling. *Targeting* is defined as choosing the specific individuals to win over.Targeting is the process of selecting specific market segments on which to concentrate the marketing effort.It is about establishing priorities among the different market segments. Four aspects present in every market segment need to be analysed: the market, the customer, the competition, and the company itself. In other words, these questions will help self-evaluation.

- Does the company want to pursue this segment (the company's mission)?
- Does the company have the resources and capabilities to create a sustainable competitive advantage within this segment (the elements of internal analysis: resources, SWOT, and performance)?
- What about the segment itself (segment analysis)?
- Is it large and growing, with significant potential and in an early life cycle stage?
- Is it attractive?
- Who are the customers anyway *(*customer behaviour analysis)?
- What are their characteristics needs, wants, attitudes, and beliefs?
- What do they think about our company?
- What about the segment competitors, existing and future (competitor analysis)?
- What are their capabilities, behaviours, performances, and motivations?
- How do we compare?

3.2. Product Positioning: It is choosing the therapeutic segments in which to compete with a specific product. When introducing a new pharmaceutical product to the world, marketers have to present the product to customers across the whole healthcare spectrum, in market segments where they believe this product holds the highest competitive advantage or is able to best satisfy customer needs. It is necessary to evaluate both their product characteristics and the competitor's, as well as select the product attributes (positioning) that matter to the customers. As per Philip Kotler, the positioning refers to the process of adjusting and presenting a product in a way so that it is the most attractive option for the customer; making a product stand out from competition in the mind of the consumer.

Product positioning is obviously based on the inherent, core product attributes, as well the augmented attributes that the company has decided to package with the product. Furthermore, product positioning is influenced by the official approval of the relevant local regulatory authorities.

Before we describe the process of defining a new product positioning, let us first examine the critical importance of this decision. A company with a fresh marketing authorization of a new API is considering its launch plan, including candidate launch countries, formulations to be introduced, and medical specialties to be targeted, as well as their respective promotional budgets. In walking around this marketing maze, the team is focusing on the following questions:

- Which pathological states is this product licensed to treat, and what is their market size?
- Which medical specialty is involved in treating these states, and with what percentage?
- How many physicians are in each of these medical specialties?
- Does the company have the know-how in the respective therapeutic categories (prescribers, patients, competitors, markets)?
- Does the company have a wider product portfolio to offer these specialties?
- What are the unique product advantages for each disease?
- What products are the competitions offering in these therapeutic categories?
- In which disease state will our product will have the highest competitive advantage?
- What amount of resources will be required in order to pursue this market segment?

Following the in-depth evaluation of all of these questions, the company's marketers find out that their product will best be suited in the treatment of disease, which are more prevalent in certain countries than others. In these high-priority national markets, the primary medical specialists are GPs, and not the respiratory specialists. Physician numbers are gathered by contacting national medical associations, while an estimation of the required sales force sizes is also made. Later, a marketing research agency is contracted to approach selected target physicians and opinion leaders to ask them for their own, as well as their patients', needs. The product characteristics are then matched to these customer needs, and three out of the nine potential product's unique selling points are chosen as the most relevant. A comparison to the competitive products reveals that the product will indeed be able to keep its competitive advantage. A final decision is made to promote the new API among the selected medical specialty in some national markets with few of the available formulations, and at a competitive price range. In conclusion, the product i*s positioned* in the selected market segments that offer the highest sales potential and opportunities to keep its competitive advantage.

This leads to the creation of a unique selling proposition. On the other hand, this combination of product features must fit seamlessly with the company's overall strategy, that is, the company must have the knowledge, product portfolio, and resources guaranteeing success in this segment. The process of positioning starts with identifying all potential competitive products and comparing their features to the expressed needs of prescribers and patients. The process ends with determining the position where, due to product features, it would have the highest competitive advantage.

Determining the Proper Positioning:

1. Identify competitive products: Product category and brand
2. Identify determinant attributes: Features, Benefits, Applications, Surrogates, Salient
3. Measure existing perceptions: Unaided recall, aided recall, spontaneity of brand recall, mental associations (brand and product class, brand and specific attributes)
4. Analyse relative position of alternatives: Identify prescription, non-prescription, and non-pharmacological alternatives; use product-positioning maps; look for gaps
5. Determine preferred set of attributes: Rank all attributes according to their customer preference; survey prescribers, patients, families, nurses, pharmacists, administrators
6. Define positioning: Competitive strengths of different brands and intensity of rivalry
7. Devise repositioning: Purchase intent share, growth of segments, evolution of ideal points, competitor positioning intensity and strategy, change in brand positions, emerging attributes, new brands, new segments

Some of the following positioning errors may occurs

(a) Positioning in a crowded segment,
(b) Positioning on an unimportant attribute, or
(c) Inflexible positioning.

In this case, a careful repositioning is necessary. By going back to the positioning steps mentioned earlier, selecting a new approach, and revaluating it under the constantly changing marketplace conditions, a company may avoid expensive and potentially irreversible positioning errors.

3.3. Branding

A *brand i*s defined as any name, term, sign, symbol, or design, or a combination, intended to identify goods or services of one seller and to differentiate them from those of the competition. A brand is characterized by a unique name, visual mark, trademark, and copyright that are combined to confer a distinguished appearance and personality to a product. Furthermore, through a consistent, painstaking, and expensive branding effort, the brand is made to "contain" a distinct informational content that clearly identifies the product attributes, benefits, values, and users.

For instance, a specific whiskey brand may constantly remind its customers of the spirit's unique taste, its ability to reduce stress and provide an easy going party atmosphere, its exquisite “luxury" image, and young, healthy men and women enjoying life to the fullest. The competitive strength of a brand is measured by its brand equity, a term that refers to awareness, acceptability, loyalty, preference, price premium, and unit volume.

Most experts would agree that branding is key to the consumer goods' positioning. But is it equally applicable to pharmaceutical products? And can it really provide added value to the consumer? A pharmaceutical branding policy can have direct benefits to the prescriber, patient, payer, and manufacturer of the product. It should be pursued after carefully weighing the advantages and disadvantages if market characteristics and manufacturer's resources allow.

Some important branding goals, advantages, and disadvantagesshould be evaluated on a per product basis, and careful decisions need to be made because branding strategies are both expensive and difficult to reverse.

Cannibalization refers to sales loss of an existing product resulting from the introduction of a new item in a product line or brand family.

Attributes while branding:

Goals	Advantages	Disadvantages
Association	Leveraging (extendable to new products)	Appeals to existing users
A signal of quality	Stickiness (makes comprehension easier)	Cannibalization among brands
A basis for differentiation	Facilitates trade support	Meaningless if too broad
A frame for customer experience		May not be relevant to changing needs

Some common branding examples:

- Antidote: Because there is a specific antidote available in case of overdose.
- Application: Because our product is the only one indicated for this symptom.
- Attribute: Because our product has the fastest onset of action.
- Benefit: Because it is the most efficacious medication for the disease.
- Company ethics: Because we focus on improving the quality of life of our patients.

- Competition: Because we are the uncontested market share leaders.
- Compliance: Because the treatment allows the highest possible patient compliance.
- Dosage: Because our product is formulated for a wide dosage range.
- Endorsement: Because clinicians or medical societies endorse it.
- Experience: Because of our long company history.
- Expiry: Because our lyophilized product can last up to three years.
- Formulation: Because our product comes in a patient-friendly, easy to use formulation.
- Indication: Because ours is the only product approved in this indication.
- Innovation: Because we are introducing an NCE every three years.
- Interactions: Because we have shown the lowest drug interaction rate in the therapeutic class.
- Manufacturer: Because of who makes it?
- No match: because the product is the best; it has a equal.
- Pharmacodynamics: Because the product has shown the best pharmacodynamics profile.
- Price: Because our product is the most competitively priced.
- Rank: Because it is the best-selling product.
- Storage: Because our product does not require refrigeration (stored at room temperature).
- Target: Because the product was created especially for patients like you.
- Technology: Because of how the product was made (biotech, genomics, and so on).
- User: Because we only specialize in your specialty area.
- Value: Because we offer the best value for your hospital costs.
- Variety: Because we offer the widest variety of dosage strengths and formulations**.**

3.4. Product profiling

Profiling is choosing the promotional statements to compete for the target audience in the segments we have chosen. In other words, targeting refers to target customers, positioning refers to patients, indications, or situations, and profiling refers to promotional messages. *Profiling* is the selection of positive promotional statements (features and benefits), as well as negative statements (adverse events, over dosage, contraindications, and drug interactions) that are used in support of the chosen targeting and positioning strategies. The process of profiling starts with studying the extensive product information available through its R&D phases.

The results of the studies are gradually evaluated to determine the chosen market segments and the required product positioning. Only the required product attributes and benefits are presented to the consumer. A word of caution: profiling is not overboosting a product's attributes or lying. To the contrary, it is the selection of the regulatory approved product characteristics that will be preferentially and repeatedly communicated to the consumers (prescribers and patients).

Pharmaceutical positioning, targeting and profiling

Parameter	Targeting	Positioning	Profiling
Efficacy	Oncology specialists	First choice therapy for metastatic breast cancer	Most efficacious in prolonging survival
Safety	Gerontologists	For elderly insomnia sufferers	Safest choice for patients under multiple prescriptions
Tolerability	Pediatricians	Children under injectable antibiotic treatment	No irritation and pain for your young patients
Formulation	Gastroenterologists	Antipyretic for patients with stomach side effects	Problem-free fever reduction
Onset of action	Anesthesiologists	For sleep induction, in anesthetic drug cocktails	Highest versatility in all your operating room procedures
Price	General pathologists	Basic nutritional content, for ambulatory patients only	A nutritional supplement for all your hospital outpatients

3.5. Product life cycle and portfolio management

Pharmaceutical products follow the same course as consumer products, that is, a rise, plateau, and eventually a fall of sales, in a phenomenon which has been described as the *product life cycle* or PLC. There are multiple reasons behind a product's life cycle changes including the following:

- Different customers buy the product at different stages (diffusion of innovation);
- Evolving competitive structure of industry;
- Evolving internal product portfolio priorities;
- Evolving cost structure of the product;
- Evolving dosage strength and formulation of the product; and (
- Evolving design and manufacturing of the product.

Due to these and other reasons, every product needs a differentiated marketing strategy throughout its PLC stages. Industry marketers should master the art of life cycle management in order to maximize the product's life cycle and profits. The distinct phases of a product's life cycle are depicted in Figure

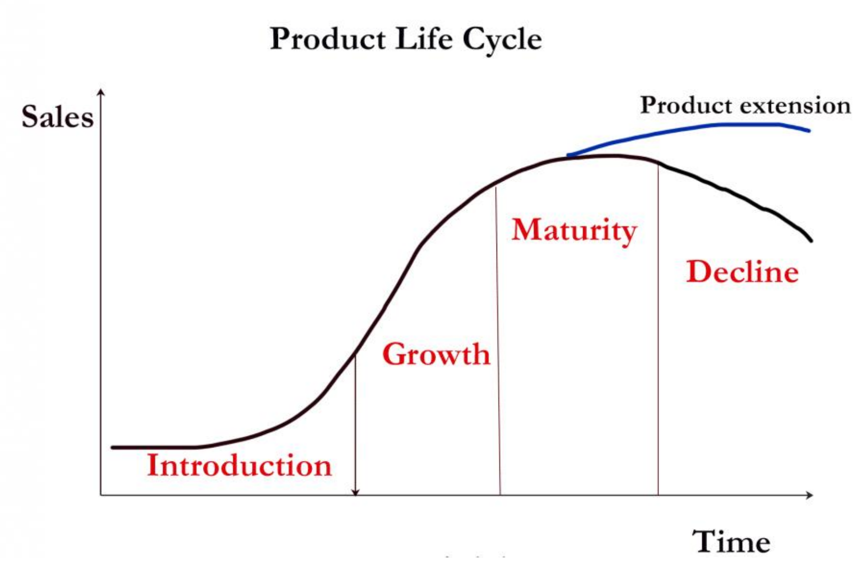


Figure 2: Product Life Cycle

Occasionally a consumer may find pharmaceutical products that were originally launched in the world marketplace several decades ago and now have seemed to reach immortality (aspirin, penicillin, cisplatin). There are two reasons behind the apparent immortality of these substances. Either the products are significant therapeutic breakthroughs at the time of their launch and are considered reference drugs, or there have not been any significant therapeutic innovations in their respective indications and they remain the valid therapeutic choices today. This by no means indicates the sustained profitability of the original manufacturer, who may have abandoned the therapeutic area all together, bowing to the competitive pressures of myriad me-too products.

In this section, the whole process from the drug discovery and patent application to its launch, sales growth, maturity, and decline phase will be discussed, together with the requirements for success at every stage.

A patent for a pharmaceutical invention may have different legal statuses. For example, it may be valid for certain geographical regions only or for a large number of remote countries that depend on the existence of a mutual patent protection agreement. Furthermore, the market exclusivity provided by a patent may be strictly enforced by some national authorities, while others may not have the resources or the political will to enforce it. In such situations, the marketplace doors are wide open to me-too manufacturers, and the return-on-investment of the original manufacturer becomes a difficult goal. Industry professionals are aware of areas where patent protection is lax and foreign pharmaceutical innovations are easily copied. However, trade associations of the negatively affected industries have been conducting strong lobbying campaigns for the stricter enforcement of patent protection laws.

As pharmacy students, you know the process of product development. A typical product development begins with basic research, and then gradually moves through a series of preclinical and clinical research phases that lead to a new drug application (NDA). This is a long and risky period of resource intensive activities and no product sales, thus a prolonged negative profitability period.

One of the most important aspects of a product's life cycle management is maximizing product revenue during the very limited period of remaining patent exclusivity at the time of launch. A typical product introductory period will take several months, or even years, to reach its growth levels, provided that the product's promotional effort starts at launch. Pharmaceutical marketers can use a very significant business tool called premarketing to raise consumers ‘awareness before the product becomes available. The introductory phase becomes shorter and revenue is maximized.

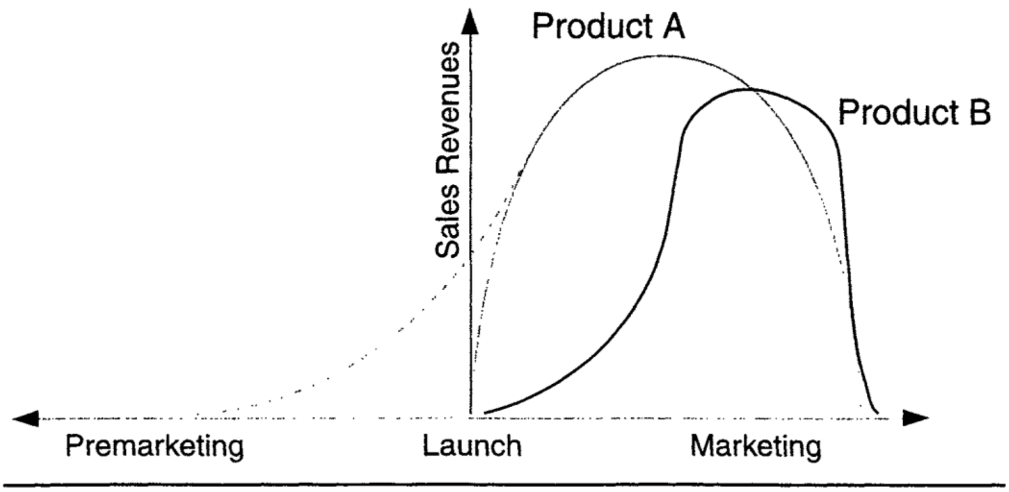


Figure 3: Premarketing Cycle

How is premarketing conducted?

Following Table summarizes the reasoning, methodology, strategy, and key activities of pharmaceutical premarketing. In general, premarketing should be initiated at least two years prelaunch, or at the beginning of Phase III of clinical research. The activities needed for premarketing require significant human and financial resources. Early commitment to the potential new pharmaceutical product from the company's management is essential. Some organizations assign the design of premarketing strategy to the product managers who will eventually take responsibility of the marketed product. However, this often takes time and energy away from other product priorities. Alternatively, premarketing activities are directed by specialized marketing managers, often called new product development or new market development managers. These managers either transfer the responsibility of the product to the brand manager or continue with it as a full-time responsibility.

Reasoning	Methodology	Strategy	Key Activities	Internal Activities
Faster market penetration	Create a demand	Positioning	Market research	Demand forecasting
Higher market shares	Develop a user pool	Targeting	Clinical trials	Manufacturing
Higher long-term profits	Build company image	Profiling	Congresses	Logistics
	Build awareness	Promotion	Publications	Product management
		Formulation	Develop OLs	Medical marketing
		Packaging	Advisory Board	Sales force
		Pricing	Develop global campaign	Regulatory support
		Comarketing	Branding	PR
		Budgeting	Training	
			Public relations	
			Advertorials	
			Mailings	

A. Introduction phase

During the introductory phase, a pharmaceutical product's sales revenues are small and exhibit a slow growth. The manufacturer is trying to gain product acceptance from the prescribers or patients. The overall marketing strategy behind this stage is to attract the therapeutic area opinion leaders, who are essential in communicating the product's benefits to their colleagues through the pyramid of influence cascade. The product is offered only in a limited number of dosage strengths and formulations, while the prices are often high and stable (provided the product is an innovative one).

During this phase the industry marketers' main information need is market data that helps them define the product's optimal targeting, positioning, and profiling order to increase consumer awareness and willingness to buy, the following activities can be implemented:

- Offer clinical trial experience;
- Include physicians and patients in long-term treatment;
- Develop opinion leaders;
- Develop media spokespersons (such as successful patient testimonials);

- Sampling or couponing,
- Risk reduction;
- Adapt promotional mix;
- Broaden product offerings; and
- Modify marketing channels.

Furthermore, the ability to prescribe and/or buy can be increased by the following activities:

- Penetration pricing;
- Adequate distribution;
- Liberal payment terms;
- Wholesaler consignment stocks; and
- Comparability with existing medical supplies and equipment.

When a new product is introduced in a current therapeutic area, the company is said to be active in product development, as opposed to entering a new therapeutic segment with an existing product strategy called new market extension. Additionally, when a new product is introduced into a new therapeutic segment the company is pursuing a diversification approach.

B. Growth phase

Growing and its profitability is increasing, while more competitors are entering the stage. The marketer's main objectives are to expand the distribution breadth and product line by offering new product benefits and forms. Furthermore, the increasing competitive intensity is driving product prices down. As far as the product's promotion is concerned, the messages are now persuasive and often comparative to competitions (where comparative pharmaceutical advertising is allowed). The sales force is expanding, reaching more and more customers, often shifting its priority from the few medical specialists at the beginning to the large number of family physicians or general practitioners throughout the national markets.

At the peak of the growth phase, some marketing scholars have proposed the existence of a separate phase called the *turbulence (*or shake-out) phase. This period is when product sales plateau and signifies the imminent entrance into the maturity phase. Some of the characteristics of the turbulence phase are the slowing of the sales growth, fewer competitors than before, and a stabilizing distribution base.

C. Maturity phase

At some point in a product's life cycle every product reaches maturity, that is, a phase characterized by a stabilized sales performance, with low costs and high profits. At this stage, marketers are occupied with maintaining the product's advantages, often fighting competitive new product launches with new features and benefits. A full product line is now available, offering a wide spectrum of product dosages, administration route possibilities, and formulations. Both price and distribution are now stable. The pharmaceutical manufacturer is conducting competitive advertising. An important feature of this phase is the shifting of the sales force focus from the "blanket coverage" of every active prescriber to the "key accounts," or those physicians with the highest prescription potential and the highest profitability for the company.

D. Decline phase

Eventually, the product enters its decline phase, with decreasing sales, rising fixed costs, and an eroding profitability. Now, pharmaceutical marketers are faced with the dilemma of further "harvesting the product that is, prolonging its sales as long as possible or terminating the product and introducing a replacement. The product's advertising becomes a reminder and sales force time and effort are reduced.

How to retain market share?

Once the medicine loses patent protection, number of things can happen. The sales in this period depend on how successful the company has been at marketing the medicine. This is shown in the last part of figure. Marketing strategies, which might boost sales could include improving the product and re-launching the 'new improved' version. This, though, involves a cost.

One powerful way the company can try to reduce the loss of sales in the last period is to have established a very strong brand identity. Consumers will then stick with the product they know because they do not regard the alternatives as effective substitutes. An effective way of branding is to make the product look unique. This can be achieved by making the tablet or capsule a special shape. Also it can be coloured or produced with special graphics printed on it.

A distinctive use of unusual shapes and colours make it more difficult for competitors to produce a medicine that the consumer might confuse with the original. Names, logos and packaging are all protected by registering them as trademarks. This makes direct copying illegal.

Product withdrawal

After a pharmaceutical product has reached its decline phase, the decreased profitability may necessitate the product's withdrawal from the marketplace. Common reasons for a pharmaceutical product withdrawal include the following: low profitability, stagnant or declining sales volume or market share that would be too costly to build up, risk of technological obsolescence, entry into a mature or declining phase of the product life cycle, or product line conflicts. A variety of withdrawal strategies exist, which are characterized by the varying speeds of the product's elimination from the market.

Whereas no manufacturer would like to go through the trauma of having to institute major Drug Recall, the Recall, if taken in proper spirit and handled properly can be a very educative experience for the manufacturer; for it provides an opportunity to review his systems and improve/ strengthen control at his end. Here below are overall guidelines for a drug product recall - voluntary or FDA directed

Stocks of a drug product may have to be recalled (withdrawn) from the market, if it is found at any stage during its shelf-life, i.e. up to its expiry date, that it has a defect which renders it unsafe or contravenes any of the requirement(s) of the Drugs and Cosmetics Act, 1940 and the rules there under. In brief, a drug product which is found to be not of standard quality is substandard) is required to be withdrawn from the market place by the manufacturer A drug may not be of standard quality for a variety of reasons viz, it could be adulterated, contaminated, misbranded (i.e. not labelled in the prescribed manner) or not meeting the label claims for its ingredients.

The recall of a drug could be categorized as Voluntary Recall, i.e. a recall initiated by the manufacturer at his own instance or an FDA directed recall. When a defect in a batch or batches of a product comes to the notice of the manufacturer from any source, it becomes his duty to institute a recall. The manner of such a recall would depend on the severity of the defect, e.g., in case of a minor defect in labeling which can be corrected on the spot', it would not be necessary to get back the stocks to the nearest distributor or wholesaler/stockiest. In adopting such a procedure, it is extremely important to provide clear, unambiguous, written instructions regarding the corrections required and the manner of correcting the same (It is a good practice to provide a 'specimen' in such a case).

In case the defect is such that it cannot be corrected in the field or cannot be corrected at all, it is essential for the manufacturer to get back the stocks to their main warehouse/factory (where a separate quarantined' returned goods area is required to be provided).

The diffusion and adoption processes

A product'*s* diffusion process is based on its acceptance by the population. It depends on product characteristics such as relative advantage, complexity, compatibility, communicability, trial ability, risk, and so on. Diffusion increases with standardized technology, leads to lower manufacturing costs, and translates into lower prices. A product's adoption is a customer's internal process, involving awareness, interest, evaluation, trial, and adoption. It has been observed that people vary in their propensity to try new products. Some of the factors influencing the speed of new pharmaceutical product diffusion among prescribers and patients are the following:

(a) Relative product advantage (NCE);

(b) Type of advantage to be gained (antacid versus oncological product);

(c) Compatibility with one's self (experiences, beliefs, values);

(d) Domplexity (once monthly depot injection versus inpatient continuous infusion);

(e) Trial ability (medicines often have to be included in a hospital formulary before an innovator physician may prescribe them);

(f) Observability (immediate pharmacodynamics effects or dissolution of disease symptoms will increase product adoption); and

(g) Past experience (a previously tried bitter tasting syrup formulation).

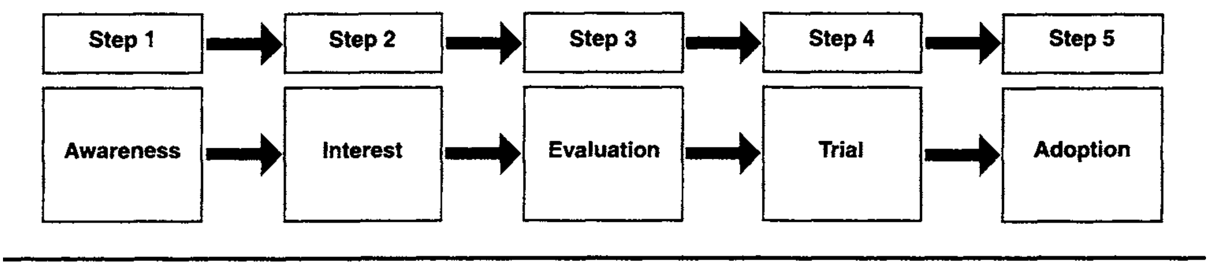
Pharmaceutical development teams should take these factors into account early in the process, and test their product concepts with customer experimentation.

Strategies for modifying existing products

Very often a successful product life cycle needs to be prolonged, either because the product can continue to be a significant revenue-making engine for the organization, or because the existing product pipeline does not guarantee a promising blockbuster in the near future. Once again, the customer needs, market and competition characteristics, and the company's own resources and expertise will dictate the use of one or more of these strategies.

A company's product portfolio mix can be plotted in a two dimensional model of the products' relative competitive position versus their life cycle stage, indicating the product's focus on innovation and present competitive position in the marketplace.

Product adoption steps



3.6. Portfolio management

The section discussed the importance of new product development, the inherent risks involved, and the magnitude of company resources needed. We have also observed and analysed the increasing globalization of the pharmaceutical industry players in their quest for long-term profitability and growth. These are only some of the factors that underlie the resource intensity and risks involved in the industry. They, in turn, make the following questions critical:

- Are we getting the maximum return on investment and is the company doing all it can to maintain a long-term profitability?
- Do the therapeutic areas, geographical regions, and projects pursued have a strategic fit with the company's core competencies?
- And do the initiatives undertaken show a balance between therapeutic areas, short- and long-term or new and old products?

These questions are best addressed by portfolio management.

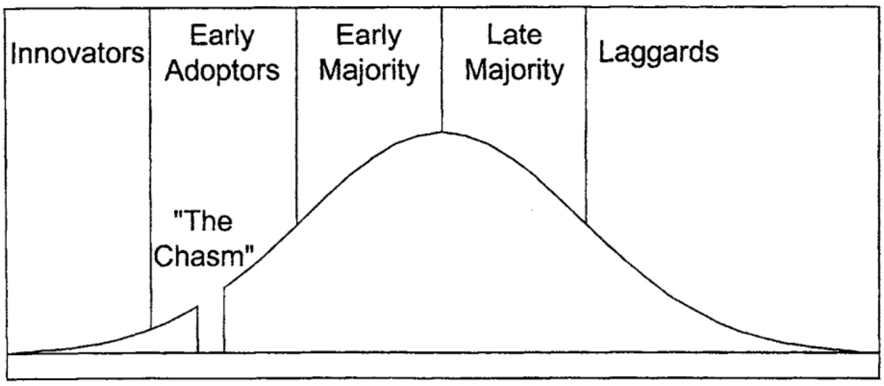


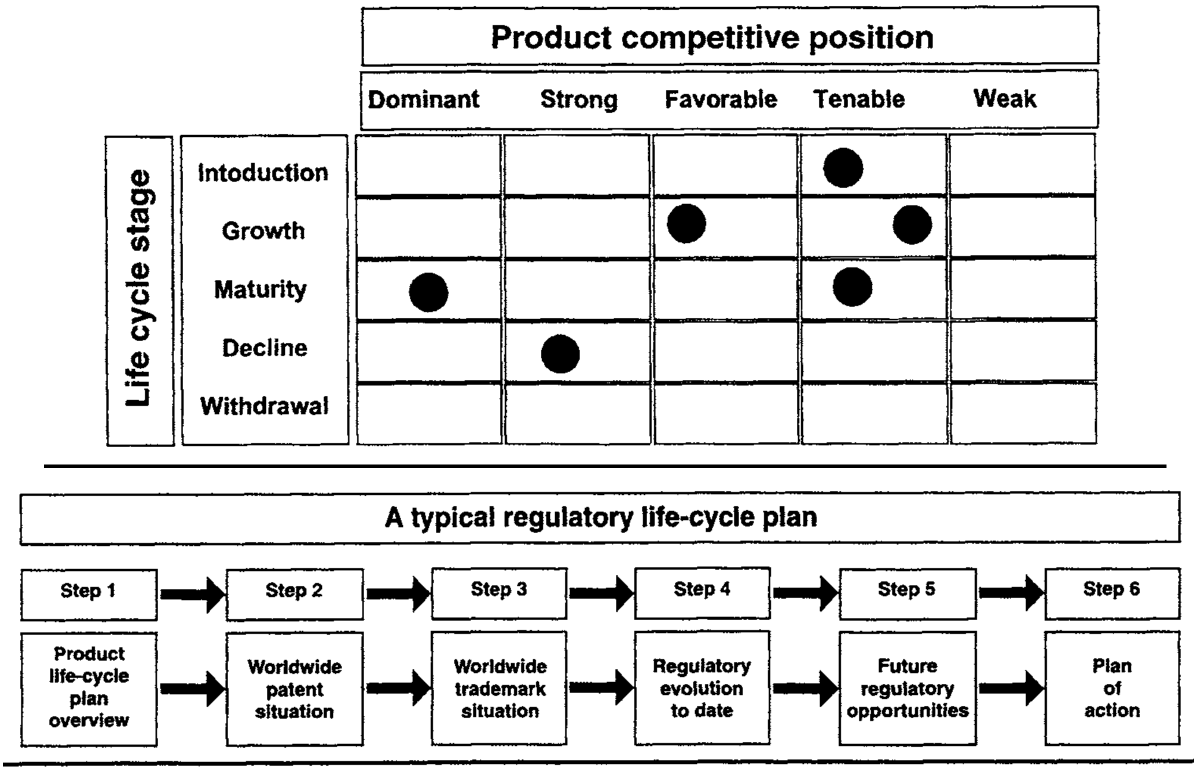
Figure 4: Adoption Process Curve

Product modification strategies

Strategy	Example
Product modification	A molecular structure change resulting in higher efficacy
New therapeutic areas	A new clinical trial indicating its efficacy in a new indication
New uses	An antibiotic now available in a pediatric form
New dosage strength	A halving of the previous strength allowing individualization
New formulation	An injection now available in tablets and nasal spray
Relaunch	New promotional drive for maturing product
Cost reduction	A temporary rebate or permanent price reduction
Rx-to-OTC switch	Switching to OTC status and selling it through grocery chains

A. What Is a Product Portfolio?

A product portfolio *i*s all marketed products and all products currently in R&D that a pharmaceutical company is involved with on a global scale. In other words, it includes all marketed product lines, brands, dosages, or formulations, and all those compounds currently in basic research, preclinical or clinical testing, and in every national market in which the company is operational. Therefore, a product portfolio is similar to an investment portfolio that includes all financial forms of investment worldwide. The portion of its product portfolio currently in R&D may also be called *a pipeline,* a metaphorical reference to the process that carries a pharmaceutical product from discovery to market.



Why, then, is it important to look at portfolio management? Because this provides essential answers to the following dilemmas:

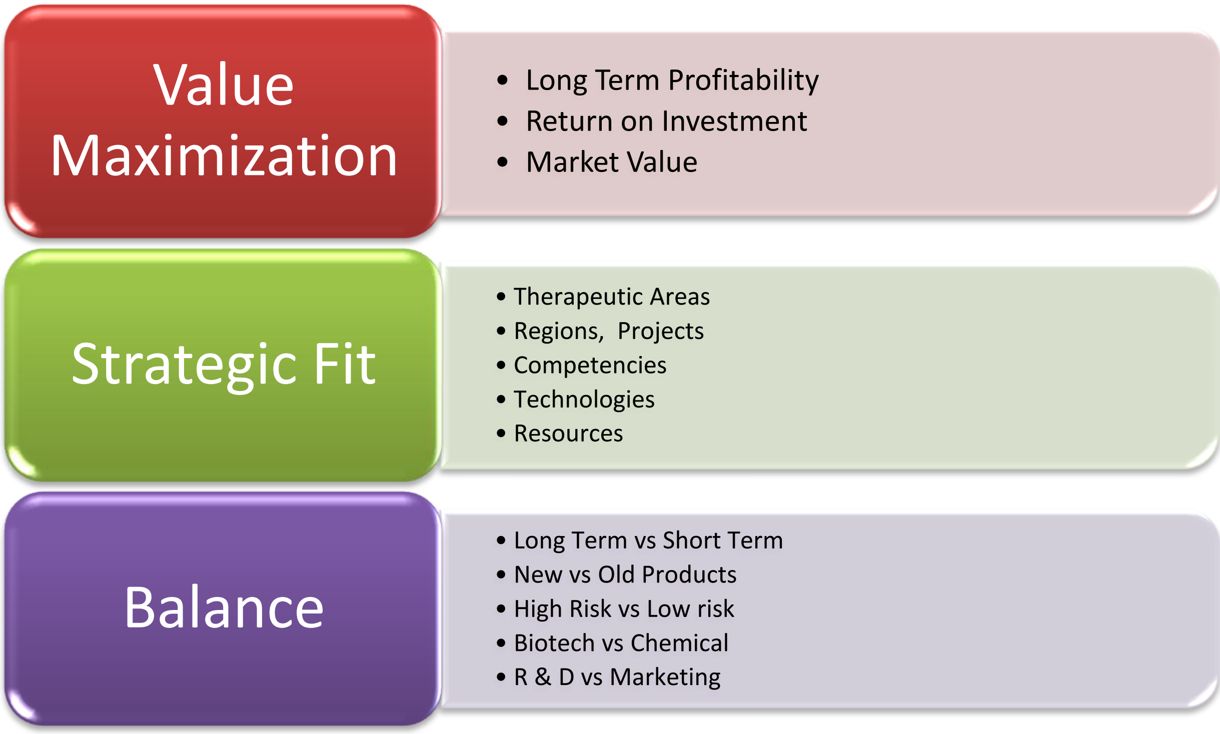
- Which therapeutic areas will allow the organization to build and sustain a competitive advantage?
- How much investments should be allocated to each product (at the expense of the others)?
- What is the ideal performance attainable from each product? And
- How do you assign assets across portfolios, including new and older portfolio members?

The three main goals of portfolio management are critical tasks of ensuring portfolio value maximization, strategic fit, and balance.

B. Portfolio selection:

The portfolio selection framework is shown in Figure 12. Potential projects are first prescreened, and, after a proper project analysis enter the screening phase. Suitable projects are selected and pursued. After any required divestments, they become part of the company's portfolio. This portfolio is in constant change because the parameters of value maximization, strategic fit, and balance may be better satisfied by incoming portfolio ideas. New portfolio inclusion and other portfolio divestment or discontinuation are a constant reality in today's pharmaceutical industry environment.

Pharmaceutical Portfolio Management Goals



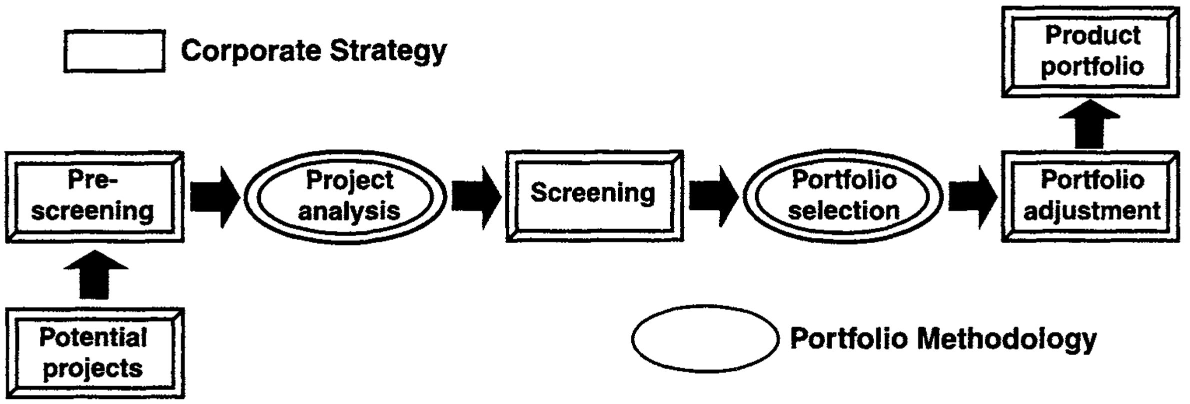


Figure 5: Portfolio Selection Framework

Portfolio selection may occur at any stage of the R&D process and is discussed later. The general portfolio selection criteria are: (a) risk, that is, probability of success, (b) exposure, that is, cost of failure relative to firm's size, and (c) reward, that is, potential profits if successful.

C. Portfolio Assessment

Pharmaceutical portfolio assessment has three distinct targets. First, it is involved in assessing the project's strengths and weaknesses in relation to customer needs, market characteristics, and competitor's offerings. Second, it attempts to ensure the project's long-term profitability. Third, it checks the project's strategic fit with the company's core competencies. Several experts have proposed a wide spectrum of portfolio assessment tools that can be used by pharmaceutical industry managers.

Pharmaceutical Portfolio Assessment Target

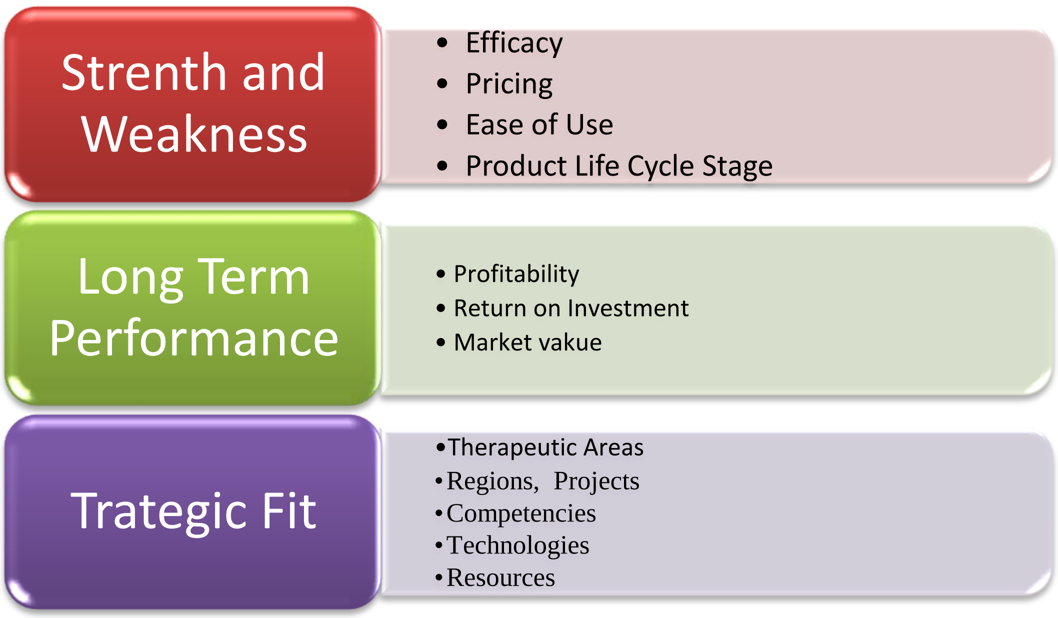


Figure 13 shows the five major types of these assessment tools, namely, economic return models, risk analysis, various portfolio models, benefit/cost analysis, and market research.

Idea assessment tools The initial idea assessment (pre-screening) is based on several potential market criteria, such as the market size or unmet therapeutic needs. Some of the most commonly used techniques are the following: (1) perceptual mapping, which identifies areas of unsatisfied customer demand; (2) consumer choice modelling, such as conjoint analysis, which identifies measures of consumer value for each product attribute, allowing the firm to custom design a preferred product; and (3) cluster analysis, which identifies logical groupings of products and customers.

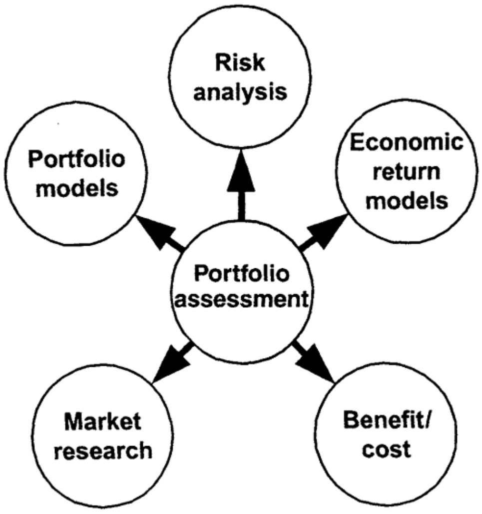


Figure 6: Portfolio Assessment Techniques

Clinical research decision points: The following are critical pharmaceutical research decision points, evaluation parameters, and relevant criteria for a Go/No Go decision:

1. Lead identified

Evaluation parameter: biomarker. Criteria: pharmacologic activity, in vitro and in vivo potency and selectivity, metabolic resistance, viable synthesis and production, and patentability.

2. Enter development

Criteria: *In vivo* activity in disease model, pilot toxicity data, preliminary metabolism data, and estimate of synthesis costs.

3. **First in man (FIM) administration**

Criteria: Adequate rationale and data from animal models to suggest beneficial effect in disease target, and adequate safety margin in animal models to enter clinical testing.

4. Proof of concept (POC) principle (Phase I to II transition)

Evaluation parameter: surrogate marker. Criteria: pharmacologic activity in humans, acceptable therapeutic index, and competitive advantage.

5. Phase II to III transition

Evaluation parameter: clinical benefit. Criteria: pharmacologic effect shown, dose-response shown, acceptable therapeutic index, acceptable competitive advantage (similar to target profile), acceptable synthesis costs, and viable manufacturing.

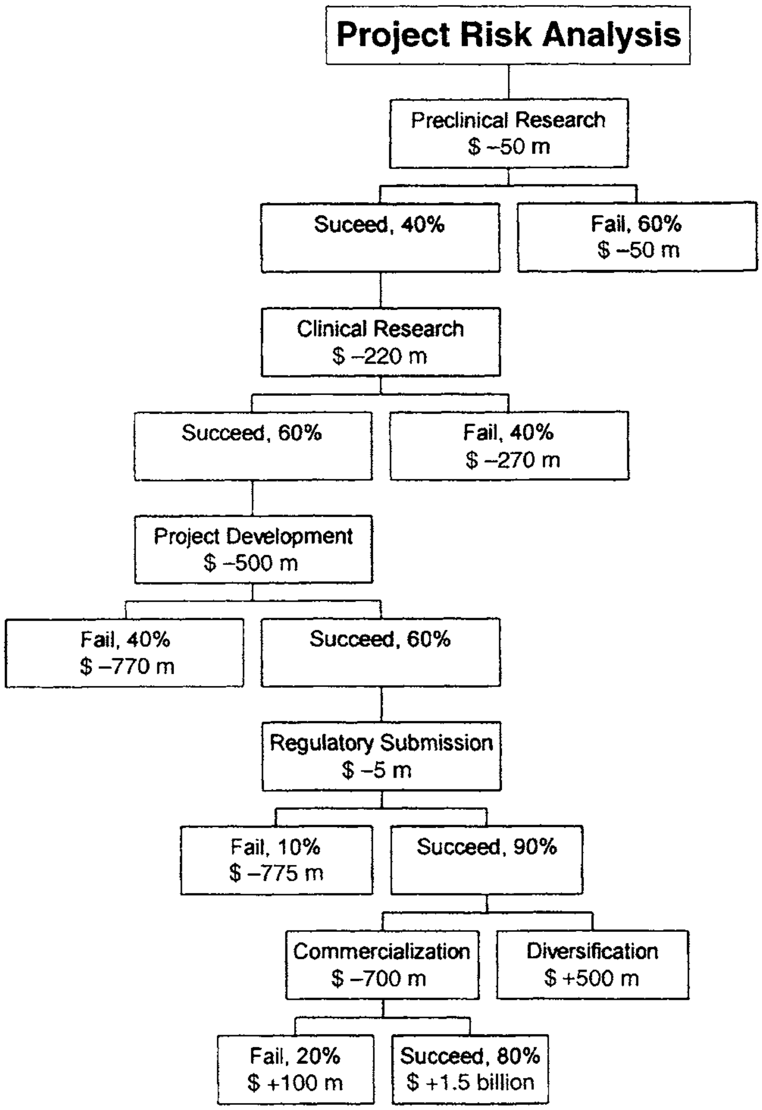
6. Regulatory submission

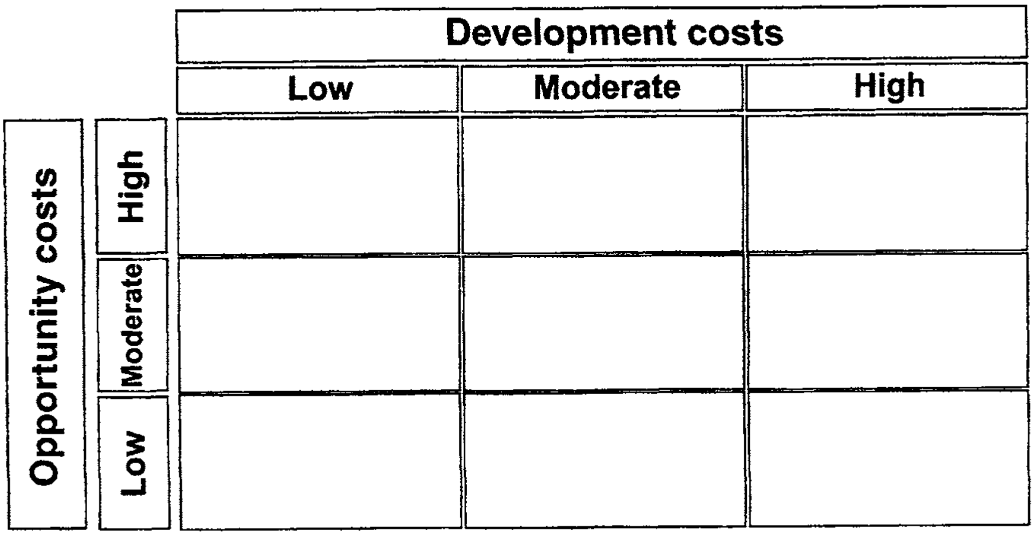
Criteria: Proof of efficacy and safety and active substance and pharmaceutical product manufacturing process validation.

D. Portfolio risk analysis

A project's risk analysis is designed to evaluate the project-related costs versus the probability of success at any step of the discovery-to-commercialization process. a project risk analysis decision tree often used in the pharmaceutical industry.

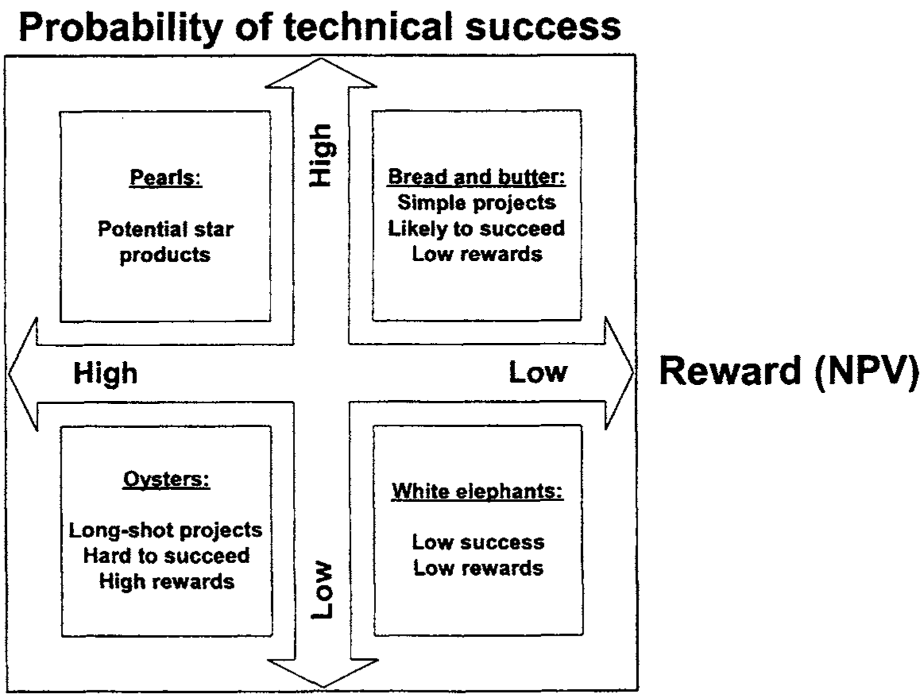
The results of several projects' risk analyses are then plotted in a two-dimensional risk analysis model. This helps marketers prioritize among several R&D projects. The probability of technical success can also be plotted against financial reward measurements (for example, NPV) in a two-dimensional matrix.





Two-dimensional risk analysis model

The Arthur D. Little consulting firm has labeled the four resulting matrix quadrants, as pearls, oysters, bread and butter, or white elephants. These quadrants indicate various degrees of the project's probability of success versus the expected returns.



Balance Portfolio Proposed by Arthur D. Little

Portfolio management

Portfolio management is the design, planning, implementation, and controlling of every company's activity that ensures the three principles of a successful portfolio (namely, value maximization, strategic fit, and balance). As Figure 10.24 shows, the activities of product management can be categorized as strategic or operational. The strategic aspect deals with the therapeutic category focus, selecting market segments with significant potential, allocating resources across various projects, assessing development risks, and comparing the project's fit with internal competencies. Project prioritization, progress monitoring, operational resource allocation, and licensing activities are some of the operational tasks of portfolio management.

Portfolio management steps There are five distinct portfolio management steps.

A. Entering a promising field,
B. Building a strong competitive presence,
C. Maintaining the captured market shares,
D. Managing the portfolio's life cycle, and
E. Evaluating the need for the port folio's divestment are the main steps of portfolio management.

The importance of a balanced portfolio: As previously mentioned, one of the goals of portfolio management is to achieve balance across therapeutic areas, geographical regions, short- and long-term growth, new and older products, and low- and high-risk, as well as each of the company's departments and functions versus the others (R&D versus marketing, and so on).

Why is such a balance critical for the long-term growth and viability of the company?

There are several reasons, such as risk minimization, efficient resource allocation, maximum return on investment, avoiding conflict, and adjusting to a dynamic market environment. Therefore, industry executives are forced to establish sound portfolio benchmarks, and must constantly evaluate the company's performance against these standards. Making frequent portfolio changes are standard practice in the healthcare environment, now and in the future.

Typical Pharmaceutical Portfolio Strategies According to Number of Markets/Products

- **Single market:** Parkinson's disease only
- **Multiple markets:** Parkinson's and Alzheimer's diseases of the CNS
- **Total market:** All CNS market segments
- **Single product:** One brand, one formulation
- **Multiple products:** Several brands, dosages strengths, formulations
- **System of products:** Drugs, disposables, and diagnostics in a disease "package"

3.7. Product Mix

The concept of Marketing Mix' is an important development in the field of marketing. Determination of Marketing Mix' is the basis of sound marketing strategy. According to William J. Station, "marketing mix is the term used to describe the combination of four inputs which constitute the core of a company's marketing system, the product, the price structure, the promotional activities, and the distribution system". Every business organization has to determine its marketing mix for satisfying the needs of the customers. It is the combination of different marketing decision variables being used by the company to market its products and services. It offers an optimum combination of all marketing ingredients which helps in the realization of organizational goals like profit, market leadership, return on investment, sales volume and so on. It is a dynamic concept concentrating mainly on satisfying the needs of the customers. If the needs of the customer get changed, the marketing mix will also be changed.

It represents a blending of decisions in four areas - product, price, promotion and place or physical distribution. These elements are interrelated as the decisions in one-area affects actions in the others.

Components of Marketing Mix:

Marketing mix involves decisions in four areas:

1. Product mix
2. Price mix
3. Promotion mix
4. Physical distribution mix

1) Product mix: It includes the product range, features, quality, image andservice. Packaging and branding are also associated with product decisions.

2) Price mix: Price is the valuation placed upon the product by the manufacturer. It has to cover pricing, discounts, allowances, credit terms etc. It deals with price competition.

3) Promotion mix: It covers decisions about advertising, publicity, sales promotion, exhibitions, conferences etc. to promote the sale of a product.

4) Physical distribution mix: This includes decisions about the channels of distribution and the places at which the products should be made available to the customers.

Significance of Marketing Mix:

- It serves as a vital link between company and the customers.
- It is an important tool of consumer oriented marketing as it concentrates on satisfying the needs of the customers.

- It helps companies to improve the sales volume, to earn high profits, to gain market leadership and so on.
- The four basic elements of marketing mix are interrelated.
- Decisions orchanges in one element usually affects decisions or changes in others.
- It is also influenced by the forces of competition in the market.

3.8. Launching a New Pharmaceutical Product

Launching new products is an ongoing important activity in the Pharmaceutical industry. Pharmaceutical industries are working hard to improve its product basket by launching new products in different therapeutic categories. If a product succeeds, it helps the company in many ways. It

- Gives competitive edge over other brands in the similar therapeutic category.
- Builds market share.
- Enhances company's value.
- Helps to create an identity.
- Improves overall productivity.
- Supplements revenue.

Launch is a powerful, multi-disciplinary process that successfully propels a new product or service into the marketplace and sustains it over a period of time. New Products are the lifelines of a company. With high expectations, many new products are introduced each year, supported by high amount of R and D manufacturing, and marketing expenses. But more than 75 percent of all new products end up in failure!

A successful product launch needs three things. A great product, & great plan to take it to the market and a committed implementation of that plan.

Steps in launching a pharmaceutical product:

Pharmaceutical product launch is not a single activity or a stand-alone event, rather it is a group of activities, which last for years. It involves in-depth analysis, meticulous planning, perfect implementation and post launch monitoring,

1) Market assessment

During the phase III clinical trials, Pharma companies need to take a hard look at what the market is today and what it will be at the time of launch. A thorough market study will help evaluating the entry opportunities and challenges. This process generally starts 8 to 10 years before the actual launch.

2) Competitive assessment

It is very important to study the competition in the market for the scheduled launch product and estimate market shares of each competitor. The existing and successful treatments are studied. The new molecules in the pipeline of the competitors for the similar therapeutic indications are studied.The above study enables the company to do a SWOT analysis (strengths, weaknesses, opportunities and threats) required for the product positioning.

3) Assessing the market potential

This is an important activity where companies start forecasting the sales. This involves data gathering, its study and interpretation for an accurate estimation of the potential over a period of time. Estimating the market potential helps in deciding the branding strategy.

4) Product positioning and pricing

Two to three years before the actual launch, the company must design the product positioning and pricing strategies. A detailed study of 4 Pa' (Product, Price, Place and Promotion) of marketing is done. Product positioning is a process of creating a brand perception in the mind of the customer. A detailed market study can expose opportunities in market place, which can be exploited for a specific product. Many products with identical therapeutic use are positioned differently, some as high priced exclusive medicines and some as cheaper OTC drugs.

To properly differentiate its new product, a company must use market intelligence to thoroughly understand what physicians/patients need in terms of new/additional therapy; what product characteristics are or are not acceptable; What are users' perceptions of the company's existing products.

While designing the pricing, the companies need to take into account several aspects, like clinical efficacy versus therapeutic alternatives, total medical cost management, patient clinical outcomes, side effect comparisons, patient compliance and ease of use, productivity effect, health-related quality of life, and patient satisfaction. Only safety and efficacy should not be the criteria for pricing. It is important to note that the pricing supports the overall brand strategy

5) Product promotional strategies

In the final year of launch every company has to prepare a firm promotion plan. The company has to decide the plans for each territory or for each country differently depending on the prevalent situations there. It has to allocate the necessary budgets for these lands. The promotional means are decided depending on what is most suited for each territory and a proper framework for the launch promotion plan is established.

One of the most powerful promotional tools is the distribution of product samples. Optimum product sample distribution is important as over-sampling leads to loss in prescription whereas under sampling can delay the product's uptake.

6) Monitoring product performance

After the launch, it is very important to continually monitor the performance of a product. A launch's success is measured in terms of time to peak soles. The quicker a product reaches its potential, the greater its ultimate performance.

Companies must understand the prescription movement and volumes to know what is happening in the market. If the product is a great success, the company must know why, so that it can take steps to sustain the momentum. If the product is not meeting expectations, then took the company needs to know the reasons, so that it can take corrective actions and improve the situation.

7) Repeating the process

After a product has been in the market for about one year, a company has to retrospect and introspect the implemented strategies. They have to identity what is working and what is not and have to go for corrections. The first three steps are very crucial and need to be performed continually throughout the life cycle of a product.

3.9. Relaunching a pharmaceutical product

Not every new product launched is successful. Pharmaceutical companies are in a great hurry to launch the products which many times lead them to failures. Some of the prominent reasons for the product failures are:

- High price
- Poor quality.
- Inadequate brand supervision.
- Lack of innovation.
- No proper communication to the user.
- Inadequate packaging.

Since Pharma companies spend a lot on new product development which runs into several hundred crores, it becomes highly challenging for the Pharma companies to relaunch the failed product. Relaunching of a failure products is more difficult than launching a new product.

Some of the methods of relaunching Pharmaceutical products are as under:

- **Relaunching of product through price reduction:**

Many product failures are due to high prices. Reducing the price of a product is one of the successful ways to relaunch. Taxim introduced earlier by Alkem Laboratories failed miserably. Later, with reduction in price Taxim was released. This market was dominated by Omnatex of Hoechst and Claforan of Roussel. Texim was releuched at a price Rs. 100/- compared to Hoechst which was selling at Rs.150/-. This price reduction helped the company to relaunch it successfully.

- **Relaunch of product through product modification:**

This is another important way of relaunching by adding more clinical indications and broadening the usage Diclofenac launched by many companies could not succeed. Torrent modified it and added Paracetamol. This modification helped the company to relaunch as Dologesic and it became a roaring success.

Combination of Metronidazole + Nalidixic acid helped Ranbaxy to relaunch Gramogyl-M successfully. Symbiotic of Cadila Pharma is yet another classical example which becomes successful by relaunching with Lactobacillus.

- **Relaunch through product refocusing:**

Many products, which failed earlier can be relaunched by refocusing on their target customers or indication profile. Refocusing helped US Vitamins to get good success for their ciprofloxacin, which failed, in their earlier attempt.

Pfizer refocused Tinidazole as a molecule and Fasigyn containing Tinidazole became the most successful products in 1990.

- **Relaunch through packaging innovation:**

Packaging is a 5mp of Pharmaceutical marketing. It acts as a 'Silent Salesman'. Relaunch of a product can be done using innovative packaging solutions as a tool. Relaunching of Santivini in a new pack created history in Tonic market. Albendazole in sachet instead of bottle can be a good tool to get a better entry into this segment. Shifting to a new pack from the existing one has also helped many companies in solving the counterfeit problem successfully. Shelcal, a market leader in calcium category by Elder Pharmaceuticals was under a counterfeit threat. The brand moved into a new packaging with metallic look developed by Bilcare Pharma Packaging Research which helped increase in the market share and solving the counterfeit problem.

3.10. Product branding, packaging and labelling

A. Branding:

A logo contains any name, term, design, style, names, symbols or any other element that distinguishes the goods and services of one seller from one another. The brand also distinguishes one product from another in the eyes of the customer. All of its elements (i.e., logo, color, shape, characters, images) serve as a psychological stimulus or motivator that creates a connection to all the other ideas we have about the product. Tune, celebrities, and catchy sentences are also often considered products.

An effective brand can create and maintain a strong, positive, and lasting impression in the consumer's mind. Products provide external characteristics of taste, design, functionality, quality, value and reputation when developed and properly managed. Brands convey positive or negative messages about a product, as well as show the company or service to the consumer, which is a direct result of previous advertising, promotions, and product reputation.

A brand can convey up to six levels of meaning:

- Attributes: The Mercedes-Benz brand, for example, suggests expensive, well-built, well-engineered, durable, high-prestige automobiles.
- Benefits: attributes must be translated into functional and emotional benefits.
- Values: Mercedes stands for high performance, safety, and prestige.
- Culture: Mercedes represents German culture, organized, efficient, high quality.
- Personality: the brand projects a certain personality.
- User: the brand suggests the kind of consumer who buys and uses the product.

The benefits of a good brand

Good marketing gives the company a few benefits which include establishing a good reputation and creating an attractive image for consumers. A personality trait that identifies a product, service or company (name, name, brand, brand, design, or your combination); it also represents relationships with key areas: customers, employees, partners, investors etc. Proper branding can bring about the highest sales, and the highest sales of brand-related products (or product organization).For example, a customer who loves Pillsbury Biscuits (and trusts the product) may try other products offered by the company, such as chocolate cookies. Some people distinguish the psychological aspect of product affiliation (e.g., thoughts, feelings, ideas, images, knowledge, beliefs, attitudes, etc.) that are tied to a product from the experience factor — the total number of all product contact points. , otherwise known as the product experience.

A product experience is a visual action of a product. An aspect of mindfulness, sometimes called product imagery, is an image created in people's minds, encompassing all the information and expectations associated with the product, service, or company that provides them.

Developing a brand

The goal when developing a brand is to create value. You do that by emulating the characteristics and values that your customers desire. Branding is present throughout everything your company touches—it is not just a logo. Every design shown and communication made to the consumer are examples of branding.

Branding attributes

The products have internal and external characteristics. Internal attributes refer to the functional characteristics of a product: its shape, function, and physical strength (e.g. Gillette razors cut unwanted hair and are able to do so much closer than most products of the product category due to their curved shape). If any of these attributes are changed, they will not work in the same way or be the same product.

Examples of external attributes are factors such as the number of Gillette razors, their packaging, the Gillette brand name, and the ways in which it makes its customers organizations that provide meaning to the product. For example, it may seem very appealing because David Beckham, the brand itself, advertises it.

Some refer to product function as the creation and interaction of a multi-dimensional product of the product — which can be easily copied and corrupted by competitors' efforts.

Marketing and marketing is about selling your products and services. Marketing is about selling everything associated with your organization. Consumer perspective brand information: product awareness, recognition and memory, and product image reflect how consumers perceive a product based on quality and attitude and what stays in their memory.

Brand management strategies

Reliable customers are cheaper, and happy customers are more likely to talk about the company in a constructive way. As a result, the type of construction is the key to success in a large number of industries. There are many ways of doing this, both traditional and modern, and an understanding of both the strategy and the strategies available is essential for making wise branding decisions:

• *Individual Branding* - This has proven to be a great benefit to many large organizations that offer a variety of goods. Proctor and Gamble (P&G) is an ancient example of this successful operation. P&G features Dawn, Joy, Crest, Scope, Gain, Tide, Fixodent, Pepto-Bismol, Swiffer, Ivory, Olay, Old Spice, and the list goes on and on. Many of these products actually compete head-to-head. This strategy allows for less risk of the parent company being harmed in one form, and allows for a sense of competition between products. It also allows P&G to capture multiple people simultaneously by placing each product in larger consumer groups.

• *Multiple product marketing* - The diversity of each product in some ways, the branding of many products allows companies such as Samsung, Apple, Sony, and Virgin to focus on consumer loyalty to the broader parent product. In doing so, all investments in branding improve productivity in all product areas. This creates a certain efficiency in the marketing of the product, but also adds all the risks and stereotypes to that one brand name.

• *Sub-branding* - Something that confronts the making of each product and many products, small branding allows an organization to form large brands into specific product groups. A good example is the Honda and Acura, one set in the high price brackets yet both Honda.

• *Co-branding* - As the name suggests, companies often work together on projects and pursue branding together. For example, Bose is often associated with various car manufacturers. Similarly, Google is often associated with Samsung products. This allows each organization to benefit from a loyal customer base.

• *Iconic Branding (Attitude)* - Slightly clearer than the techniques above, branding is about building a person. This person often appears in the media, to establish an opposition culture, and to build a community. The Nike brand is an icon, for Example: By promoting the 'Just Do It' concept, they are selling the idea alongside their products. The Red Bull take a similar approach, even reaching out to sponsor spectacular athletic performances and daring to show off their value. This type of branding is complex and very difficult to achieve, but it can build strong and loyal fans.

B. Packaging and labelling

Packaging refers to the physical appearance of a product when a consumer sees it, and labels are an informative component of packaging.

Packaging

With the increase in value placed on self-help advertising, the role of packaging becomes much larger. For example, in a typical store, a consumer delivers about 600 items per minute or one item every 10 seconds. Therefore, the only way to make other consumers aware of the product through displays, shelf hangers, torn coupon blocks, other purchase devices, and, lastly, functional packages. Considering the value placed in the package, it is not surprising that a lot of research is spent on inspiring research, color testing, psychological deception, etc., to ensure how most consumers will respond to a new package. Based on the findings of this study, the previous information, and the current and expected decisions of competitors, the market will determine the initial role of the product-related package. Should it include quality, safety, diversity, accessibility, luxury, or beauty?

Typical use of packaging includes:

• **Physical protection:** Packaged items may need protection, among other things, mechanical shock, vibration, electrostatic discharge, pressure, temperature, etc.

• **Information transfer:** Packages and labels relating to the use, transfer, recycling, or disposal of a package or product. With pharmaceutical, food, medical, and chemical products, some forms of information are sought after by governments. Other packages and labels are also used for tracking and tracking.

• **Sales:** Packages and labels that can be used by advertisers to encourage potential buyers to purchase the product. The design of the package images and body composition has been significant and is a phenomenon that has been around for decades.

The marketing link and graphic design are used over the package and (in most cases) a point-of-sale display, examples of which are shown here :.

• **Easy to use:** Packages may have features that add easy distribution, management, stacking, display, sale, opening, re-closing, use, dumping, recycling, recycling, and easy disposal.

• **Obstacle protection:** Obstruction from oxygen, vapor, dust, etc., is often required. Permeation is an important factor in construction. Some packages contain desiccants or oxygen absorbency to help extend shelf life. The modified atmosphere or controlled atmosphere is also stored in other food packages. Keeping content clean, fresh, sterile and secure for the intended shelf time is a key task.

• **Security:** Packing can play an important role in reducing shipping safety risks. Packages can be made with enhanced tamper resistance to prevent interference and can have distraction features to help detect interference. Packages can be made to help reduce the risk of package theft.

Labeling

Labels the network company information about the product. The attached label provides customers with information to help with their purchase decision or to help improve their product experience. Labels can include:

• Product care and use

- Recipes or suggestions
- Ingredients or information on healthy eating
- Product guarantees
- Manufacturer name and address
- Weight statements
- Sell by date and expiration dates
- Warnings

Symbols Used on Labels

Many types of package labeling brands are national and international. In the buyer's pockets, the signs are available for obtaining product certificates, trademarks, and proof of purchase. Other requirements and indicators are in place to communicate the features of consumer safety and security. For example, the limited mark marks compliance with EU weights and accuracy measurement regulations. Examples of local and recycling symbols include the recycling mark, the code identification code, and the "green dot."

Label rules

In some countries, most products, including food and medicine, are legally required to contain specific labels such as ingredients, health food information, or consumer warning information (FDA). For example, the law label is a legally required label or label for new textile defining and filling controls for the United States mattress, upholstery, and compressed title industry. The purpose of the law label is to inform the consumer of hidden content, or "fill items" within bedding and furniture products. Laws requiring these markers were passed in the United States to inform consumers whether the original article they were buying contained new or reprinted material. Recycle logo, needs to be displayed on this label. The Fair Packaging and Labeling Act (FPLA) is a law that applies to labels on many consumer products that mean product ownership, Production Company, and total content value.

Chapter 4: Promotion

Learning objectives:

After studying the chapter, students will able to

1. Explain the methods, determinants of promotional mix,
2. Elaborate promotional budget;
3. Explain personal selling, advertising, direct mail, journals, sampling, retailing, medical exhibition, public relations,
4. Elaborate online promotional techniques for OTC Products.

WHO defines pharmaceutical promotion as, "all informational and persuasive activities by manufacturers and distributors, the effect of which is to induce the prescription, supply, purchase and/or use of medicinal drugs?" Thus stimulation of sales, the aim of promotion is built in the definition of the promotion. Promotion includes the activities of medical representatives and all other aspects of sales promotion such as journal and direct mail advertising, participation in conferences &exhibitions, the use of audio-visual materials, the provision of drug samples, gifts, hospitality for medical profession and seminars, etc. Pharmaceutical promotion is a costly affair. In an article, published in *Scrip* magazine in 1997, the authors Devlin and Hemsley estimated that pharmaceutical companies allocated 35% of their revenues to marketing. Promotion takes away the largest chunk of these allocations.

The marketing interest of a pharmaceutical marketer and the healthcare interest of the state are always at crossroads This dilemma is characterized by the continuous tension created by state's commitment to optimal use of medicines, when they are absolutely needed; and the pressure the companies undergo to continuously expand sales WHO described this dilemma as, " an inherent conflict of interest between the legitimate business goals of manufacturers and the social, medical and economic needs of providers and the public to select and use drugs in the most rational way."

Nevertheless, promotion is the most important factor group, which affects the prescribing behavior of the physicians.

4.1. Determinants of promotional mix

A useful cue for the tasks in planning communications strategy is the 6 Ms model:

1. Market – to whom is the communication to be addressed?

2. Mission – what is the objective of the communication?
3. Message – what are the specific points to be communicated?
4. Media – which vehicles will be used to convey the message?
5. Money – how much will be spent in the effort?
6. Measurement – how will impact be assessed after the campaign?

The marketing communications or promotions mix is potentially extensive including non-personal elements as well as personal selling. The popular non-personalvehicles are advertising, sales promotion and public relations. Advertising in media isparticularly effective in

- Creating awareness of a new product
- Describing features of the product
- Suggesting usage situations
- Distinguishing the product from competitors
- Directing buyers to the point-of-purchase
- Creating or enhancing a brand image

Sales promotion includes things such as samples, coupons and contests. These are usually most effective when used as a short-term inducement to generate action. The three major types of sales promotion are:

(1) Consumer promotions – used by a manufacturer and addressed to the end consumer
(2) Trade promotions – used by the manufacturer and addressed to the trade partners
(3) Retail promotions – used by the trade partners and addressed to the end consumer

4.2.Techniques of sale promotion:

The following promotion mix elements in the order of importance for consumer marketing and industrial marketing.

1. **Public relations:** Public relations refer to non-paid communication efforts; such as press releases. These efforts do entail a cost to the firm, but generally are distinguished from advertising by virtue of the fact that the firm does not pay for space in the media vehicle itself.
2. **Personal selling**: Personal selling as the communication vehicle presents the advantage of permitting an interaction to take place between the firm and a potential customer rather than just the broadcast of information. The importance of personal selling in the

promotions mix typically increases with the complexity of the product and the need for education of potential customers.

3. **Promotional budget:** The proper allocation of budget across the various media vehicles varies greatly depending upon the market situation. A fundamental decision is whether to focus on a 'push' or 'pull' strategy. In a push strategy, focus is on inducing intermediaries, such as a retailer, to sell the product at retail. Advertising's job may be to make the consumer aware of the product, but the closing of the deal is left to the intermediary. Alternatively, a pull strategy means the end consumer develops such an insistence on the product that he or she 'pulls' it through the channel of distribution, and the retailer's role is merely to make the product conveniently available.
4. **Advertising:** the usage of paid media through a vendor to speak persuasive facts about its merchandise, offerings, or corporation—is a powerful promotional tool. Marketing takes on many paperwork (country wide, regional, neighborhood, purchaser, commercial, retail, product, logo, institutional, and so on.) designed to acquire a selection of goals (focus, interest, desire, logo recognition, logo insistence). Advertising decision-making consists of targets setting, price range choice, message choice, media decision, and ad effectiveness evaluation. Advertisers ought to set up clear dreams as to whether or not the advertising is meant to inform, persuade, or remind buyers. The elements to consider when putting the marketing budget are: level within the product life cycle, marketplace proportion, competition and muddle, wanted frequency, and product substitutability. The marketing finances can be installed based on what's low-priced, as a percent budget of sales, based totally on competition' prices, or based on targets and responsibilities, and primarily based on extra superior decision models that are to be had. The message choice calls for producing messages, evaluating and deciding on among them, and executing them efficaciously and responsibly. The media selection calls for defining the attain, frequency, and effect goals; choosing amongst fundamental media kinds; deciding on specific media cars; choosing media timing; geographical allocation of media. Ultimately, campaign evaluation requires comparing the verbal exchange and sales results of advertising, before, throughout, and after the marketing.

What is advertising?

Various marketing Gurus have defined advertising according to their own views: "Advertising *Consists* of all the activities involved in presenting to a group a non-personal, oral or visual openly – sponsored, identified message regarding a product, service or idea. This message, called an advertisement, is disseminated through one or more media and paid for by the identified sponsor”.

W.Z. Stanton: “To give public notice or to announce publicly”. “Advertising is mass communication of information intended to persuade buyers so as to maximize profits”.

J.E. Littlefield: To summarize, advertising means any paid form of non-personal presentation and promotion or ideas, goods or services by an identified sponsor.

Importance of advertising

It is not enough to just make a product. People should be informed of its existence and given good reasons to buy it. This is a work that needs to be done through advertising. Without advertising, people would not know the features of the product or its price. Now let's talk about the role and importance of advertising.

(i) Disclosure procedure

Advertising is a way of conveying information to a consumer that enables him to compare and contrast the products and services available. Advertising enables consumers to exercise their free will as a variety of media such as tracts, newspapers, magazines, billboards, books, radio and television as well as motion pictures.

(ii) Manufacturer concerns

Advertising is a very cost-effective way for a producer or institution to contact an audience to sell a product or to promote a social welfare cause, such as a community campaign, or a vaccination program. This involves a process of mass communication that is different from normal communication. Here a great deal of communication is between the producer and his or her larger audience. This is also linked to new sources. Many listeners give different responses as responses. Here the audience is connected as a group between groups.In India, a typical grocery store stocks up to 20 types of toilet soaps, 10 types of toothpaste, 9 types of cooking oil and more than 100 types of other packaged goods. In that case, advertising helps consumers make smarter and more thoughtful purchases.

(iii) Fundamental right to freedom of speech

Advertising is a necessary means of communication is an integral part of free speech. Any denial of the right to recommend legal services or public opinion will undermine the fundamental right to freedom of expression.

(iv) Improving productivity

Advertising can help boost the economy of developed and developing countries. There is enough evidence to support that view. Advertising stimulates productivity and as a result creates more job opportunities. It can help stabilize prices and lead to wider distribution and greater availability of goods and services.

(v) Global economic growth

Advertising is an important and vital part of the marketing system. It is sometimes maintained that the marketing plan is useless without the need for economic and social growth of the country. Advertising promotes sales and compels the company to improve its productivity and contribute significantly to economic growth. So advertising and marketing are important tools used to help the world grow. Even though advertising is expensive, and the costs increase day by day, a well-executed advertising campaign can be a cheap way to reach the market and travel with potential customers. Advertising is a waste of time if it fails to generate sales.

Advertising terms

If an organization spends millions of rupees on advertising, as managers we should try and be able to measure its effectiveness and delivery to find out if we are getting value for money. However, advertising is only one part of the sales mix and the final delivery in terms of rupee will involve a variety of marketing variables. The tragedy of advertising is that if it does not lead to an increase in product sales, the blame is placed on advertising. A clear definition of advertising terms is therefore required. An effective advertising campaign can be compared to a military campaign, in which the goal is to "hold post No. 11" and the goal is achieved.

The goal of advertising can be defined as a clear and concise definition of what advertising is intended to achieve, namely,

- Increase sales,
- Establish product equity, and
- Entering the target market.

Sometimes these goals are considered marketing purposes instead of advertising purposes.

You need to set advertising objectives

Some of the goals that may be emphasized are:

(i) Return on Investment (R. O. I): Advertising involves investment. Therefore, it should produce a measurable return on the stated investment in order to assess the attractiveness and profitability of the advertising.

(ii) Media selection: The most effective marketing tool should be chosen to achieve the most profitable result.

(iii) Integration: Proper communication and integration of advertising and marketing efforts is essential. If not, advertising goals are high on marketing goals.

Decisions to select media

When selecting advertising media the following factors should be kept in mind:

- Advertising costs,
- Product quality,
- Comparing selected media with other media,
- Media thunderstorms,
- Customer features, as well
- Market competition.

Types of media for advertising

Print Media	Electronic Media	Outdoor Media	Direct Mail
Newspapers	TV	Billboards	Price Lists
Direct Mail	Social Media	Hoardings	Catalogues
Folders	Radio	Balloons	Personal letters
Product Literature	Voice mail	Advertising on transport means	Circulars
Journals	Cinema	Electric Display	

1. **Press:**

Advantages:

- News value and immediacy
- Area and ethnic selectivity
- Wide market coverage
- Advertisement flexibility
- Allow long message
- Moderate cost
- Publication with pictures possible
- Continuous publication

Disadvantages

- Casual readers not reading the whole magazine or newspaper
- High cost of brand usage
- Little demographic selectivity
- Short message life
- Suitable only for educated class
- Poor quality of printing creatingreaders' aversion
- Lack of faith in what appears in the Press.

2. Direct mail

Advantages:

- Possibilities of covering a wide
- audience
- Economy
- Flexibility
- Easy to answer Personal Touch

Disadvantages

- Difficult to obtain the right mailing lists.
- Possibility of misleading information
- Frequent changes in mailing list

4.4. Sampling:

Sample is a marketing promotion method designed to give the consumer the opportunity to use the product in a trial with little or no risk. Sampling includes any method used to deliver a real or experimental product to consumers. It is a very useful way to promote it. Estimates suggest that about 90 percent of consumer goods companies use samples in some way and invest about 1.12 billion per year.

Research shows that consumers are more likely to like the sample, with 43 percent indicating that they would consider changing varieties if they prefer the free sample offered. Sampling is very useful for new products and areas with a weak market share in the established product. Six methods of sampling are widely used. First, store samples are a method used in food products and cosmetics. Buyers in the shopping area may be influenced by the direct contact with the product. The second method of sampling is to distribute the sample from house to house. Although expensive, it can only work well if the market is able to identify the right market segment. Third, the samples were delivered by postal services. It is an expensive method of distribution and the sample must be small enough to make it economically viable. Fourth, newspaper sampling is another option. This method is very popular with beauty and health products. In-or-pack sampling is the fifth way to sample. Here the sample item is attached to another product package. Alternatively, the sample is distributed to supermarkets - shopping malls, stadiums and entertainment venues. Finally, product managers are increasingly distributing samples online using the services of companies that specialize in online sample delivery.

Sampling problems

- Sampling is expensive
- Mass handling of samples can be mishandled by the postal service or other distributors
- Samples distributed door to door or high traffic locations may suffer from wasted distribution and not reach the hands of potential customers
- In- or on-pack sampling excludes consumers who do not buy the carrying brand. In-store sampling often fails to reach sufficient number of consumers to justify its expense.
- Consumers may misuse sampling
- Pilferage can occur when samples are distributed through mail.

Chapter 5: Pharmaceutical Marketing Channels

Learning objectives:

The pharmaceutical industry not only needs highly qualified researchers, chemists and technical people, but also requires skilled managers who can take the industry forward by managing and taking the complex decisions which are imperative for the growth of the industry. The Knowledge and Know-how of marketing management groom the people for taking a challenging role in Sales and Product management. The present topic of **pharmaceutical marketing channels and Professional sales representative (PSR)** is an important part of Pharma marketing management. To understand these concepts let us focus on following important learning objectives

- To know the Pharmaceutical marketing channels and its designing
- To understand the selection criteria ofappropriate marketing channel and about channel members
- To study the physical distribution management and its related tasks.
- To understand the role of Professional sales representative (PSR)
- To know the duties of PSR

5.1. What is a marketing channel?

Marketing Channel is a set of interdependent organizations involved in the process of making a product or service available for use or consumption. A marketing channel goes by many aliases, including “place” in the 4P framework, distribution channel, route to market, and go to market, or simply channels.

We define a marketing channel specifically as the set of interdependent but in many cases independent organizations involved in the process of taking a product or service to market and making it available for use or consumption. Many organizations, each with specific strengths and weaknesses, comprise any marketing channel system: distributors, wholesalers, brokers, franchisees, and retailers. With the participation of these various role players, marketing channels leads a significant portion of the world’s business, and an effective marketing channel strategy can contribute for expected quality by consumer and can be a source of competitive advantage, by delivering superior customer value.

A marketing channel strategy specifically defines the design and management of a channel structure to ensure that the overall channel system operates efficiently and effectively. The end goal of any channel system is to make products and services available and easy for users to buy, in accordance with their preferences.

A. Work performed by marketing channels:

Most producers do not sell their goods directly to the final users. Between them stands a set of intermediaries that perform a variety of functions. These intermediaries constitute a marketing channel (also called a trade channel or distribution channel). Marketing channels are sets of interdependent organizations involved in the process of making a product or service available for use or consumption.

B. Marketing channels

To reach the target market, the seller uses three types of marketing channels. Communication channels deliver messages and receive messages from targeted consumers. They include newspapers, magazines, radio, television, mail, telephone, boards, posters, pamphlets, CDs, audiocassettes and the Internet. Apart from this, communication is transmitted through the form of faces and clothes, the appearance of shops, and many other media outlets. Advertisers are increasingly adding chat channels (email and toll free numbers) to rate the most common monologue channels (such as ads). An advertiser uses distribution channels to display or deliver an actual product or service to the buyer or user. There are visible distribution channels and service distribution channels, including warehouses, vehicles, and various trading channels such as distributors, wholesales, and retailers. The seller also uses selling channels to make transactions with potential buyers. Commercial channels include not only distributors and sellers but also banks and insurance companies that facilitate transactions. Vendors are faced with the obvious design problem in choosing the best mix for communication, distribution, and marketing channels for their offerings.

Marketing Channel Members: Three key entities involved in every marketing channel: *manufacturers*, *intermediaries* (wholesale, retail, and specialized), and *end-users* (business customers or consumers).

a. Manufacturers: Upstream Channel Members: In many cases, one channel member serves as the channel captain, taking the keenest interest in the workings of the channel for the focal product or service. The channel captain is often the manufacturer; it typically designs the overall go-to-market strategy, particularly for branded products. manufacturers, are producer or originator of the product or service being sold. Manufacturers can produce brands, or they can sell private labels, and these two broad categories feature some key distinctions can produce brands, or they can sell private labels, and these two broad categories feature some key distinctions. First, manufacturers that brand their products are known by those names to end-users, even if intermediaries distribute their offerings.

Famous examples include Coca-Cola, Mercedes-Benz, and SonySecond, manufacturers that make products but do not invest in a branded name for them produce private-label products, and the downstream buyer (manufacturer or retailer) puts its own name on them.

For example, Multibar Foods Inc. makes private-label products for the nutraceutical marketplace (health, diet, and snack bars)

Manufacturer is not necessarily a retailing or logistics expert. But there are some activities that nearly every manufacturer must undertake. Physical product manufacturers must hold on to the product and maintain ownership of it, until the product leaves their manufacturing sites and travels to the next channel member. Manufacturers must engage in negotiations with buyers, to set the terms for selling and merchandising their products. The manufacturer of a branded good also participates significantly in promoting its products. Yet various intermediaries in the channel still add value through theirsuperior performance of functions that manufacturers cannot, so manufacturers voluntarily seek them out to increase their reach and appeal.

b. Intermediaries: Middle-Channel Members

The term **intermediary** encompasses any channel member *other* than the manufacturer or end-user. We differentiate three general types: wholesaler, retailer, and specialized. Intermediaries, or middlemen, are independent businesses that assist producers and manufacturers (and final users) in the performance of negotiator functions and other distribution tasks. Intermediaries thus participate in the negotiation and/or ownership flows. They operate at two basic levels: wholesale and retail.

Wholesalers: Intermediaries, or middlemen,

Types and Kinds of Wholesalers: The most comprehensive and commonly used classification of wholesalers is that used by the Census of Wholesale Trade, published by the U.S. Department of Commerce every five years. This classification categorizes wholesalers into three major types as follows

1. Merchant wholesalers
2. Agents, brokers, and commission merchants
3. Manufacturers’ sales branches and offices

Retailers are firms that specialize in purchasing, capturing title, usually storing and handling physical products in relatively large quantities. Then they resell products at low prices to retailers, other retailers and in industrial, commercial or institutional matters. They fall under many different names, such as wholesaler, jobber, distributor, industrial distributor, supply house, assembler, importer, exporter and more.

Agents, brokers, and commission brokers are also independent brokers who manage, throughout or in large part of their business, the title of the goods they trade. But they are more involved in buy and sell negotiation activities while representing their clients. They are usually compensated in the form of commissions on sales or purchases. Some of the most common types are known in their industries as manufacturer agents, commission sellers, retailers, sales agents and agents for importing and exporting.

Manufacturers' sales offices and offices are owned and operated by manufacturers but are physically different from the productive plants. They are mainly used for the purpose of distributing the manufacturer's products wholesale. Some have warehouses where inventories are kept, while others are just for sale offices. Some of them also sell integrated and complementary products purchased from other manufacturers.

Retail Intermediaries: Retailers come in many forms: department stores, mass merchandisers, hypermarkets, specialty stores, category killers, convenience stores, franchises, buying clubs, warehouse clubs, direct retailers. Unlike purely wholesale intermediaries, they sell directly to individual consumer end-users. Their role historically entailed amassing an assortment of goods that would appeal to consumers, but today that role has greatly expanded. Retailers might contract to produce private-label goods.

c. End-Users: Downstream Channel Members: End-users (business or consumer) are channel members as well, because they can and frequently do perform channel functions.

Combinations of Channel Members: The various channel participants can come together in various ways to create an effective marketing channel strategy. The optimal range and number of channel members depend on the needs of the end-users and manufacturers.

Online Channels: Online channels go by many aliases: e-commerce, e-tailing, online retailing, and Internet channels, to name a few. Online channels offer a form of direct retailing, such that the consumer uses an Internet-enabled device to order products or services through the Internet and have them delivered, digitally or physically, to a preferred location. They provide a 24/7 shopping environment and a much wider array of goods and services available for purchase, unhindered by shelf-space constraints. In addition, they offer consumers a means to shop from anywhere and anytime, accessing vendors located in all corners of the world.

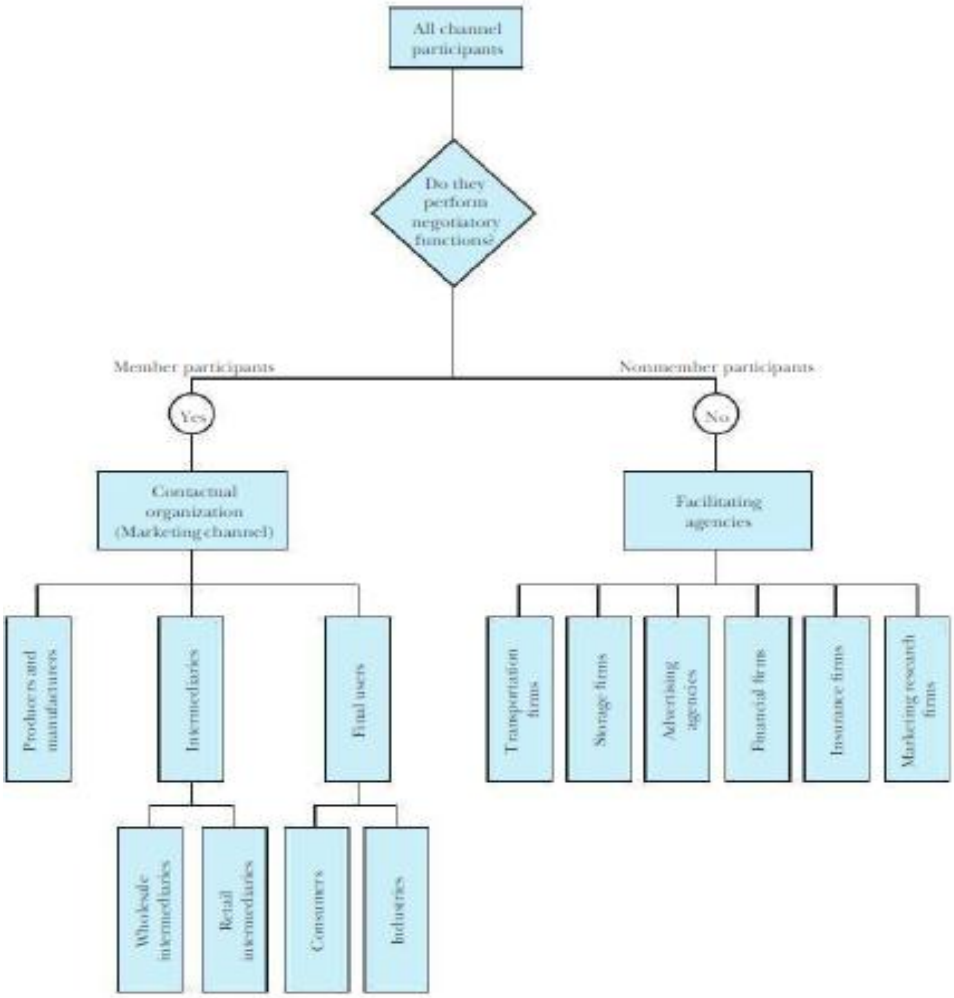
Yet online channels also feature limitations, in that end-users cannot touch, feel, or try on products. Therefore, their return rates tend to be high, and the cost of those returns must be absorbed by the system. During the selection process, producers should determine what characteristics distinguish the better intermediaries. They will want to evaluate number of years in business, other lines carried, growth and profit record, solvency, cooperativeness, and reputation. If the intermediaries are sales agents, producers will want to evaluate the number and character of other lines carried and the size and quality of the sales force. If the intermediaries are store or Internet retailers that want exclusive distribution, the producer will want to evaluate locations, brand strength, future growth potential. Stern, L. W., El-Ansary, A. I. and Coughlan, A. T. (1996) distinguishes the channel members. They are,

1. The producers -------Develops, produces, and markets the product
2. The wholesalers -------Interact between producer and distributor/dealer
3. Distributor/Dealer --------Interact between wholesaler and retailer
4. The retailers -------Interact between distributor/dealer and customer
5. Consumers --------The ultimate user

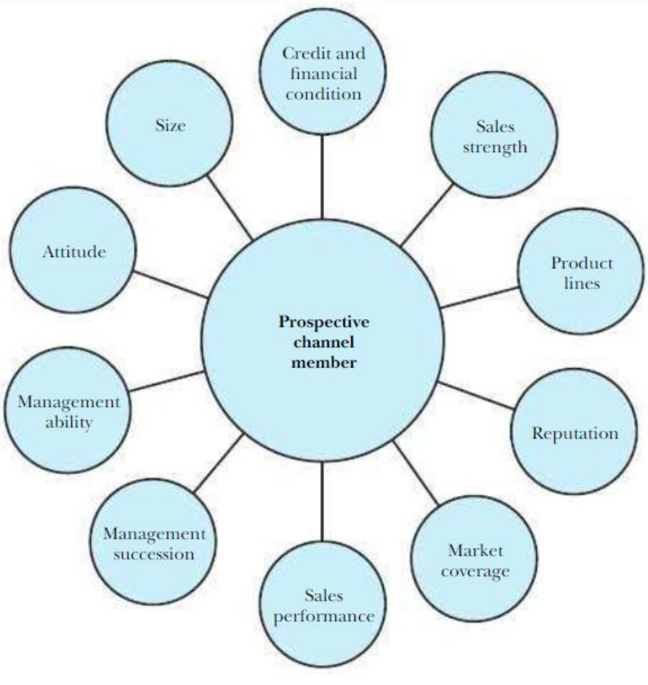
Selecting channel members:

Most channel compensation systems are stated in terms of margin of margin or discount structures. To select the channel members from the supplier's point of view the factors considered are as follows financial perspective of channel partner

- Sales strength
- Product lines
- Reputation
- Market coverage
- Sales performance
- Management strength
- Advertising and sales promotion programs
- Training programs
- Sales compensation programs
- Plant equipment and facilities
- Ordering and payment procedures
- After sales services



Classification of channel participants



Key criteria to consider when selecting channel members

C. Distinction between multi-channel and omni-channel marketing strategies:

Some writers use the terms "multi-channel," "omni-channel," and "cross-channel" loosely and nearly interchangeably. Initially, the emergence and growth of online sales led brick-and-mortar retailers to initiate multi-channel strategies, by adding online sales channels to their channel mix. These choices are not limited to retailers; upstream channel members also must decide whether to add online channels. The insurance sector offers a classic Example: Most insurance companies distribute their products through independent agents, so they confronted a challenging decision about whether to offer direct online sales.

The emergence of smart mobile devices, social networks, and in-store technology has blurred the line between online and physical channels, though, and this blurring is what omni-channel strategies are all about. Consumers can search for information online with their smart devices while they are still in the store, giving rise to both **showrooming** (using the store to try and touch products but buying online) and **web rooming** (searching on the web but buying in the store). The diminished boundaries between physical and online channels also precipitated the necessary shift away from a multi-channel and toward an omni-channel perspective, because firms have no choice but to find ways to integrate their operations seamlessly across channels.

In multichannel system, multiple channels that operate relatively independently. Consumers engage in cross-channel shopping by switching among online, mobile, and physical platforms during a single purchase transaction. But in many organizations, the online and in-store experiences may be managed by separate divisions, with differing priorities.

D. An Optimal Multi-Channel Mix: Internet-based online channels have become a mainstream channel in the channel mixes of a vast number of firms that may also use several other channels such as:

- Retail store channels
- Mail order channels
- Wholesale distributor channels
- Sales representative channels
- Call centre channels
- Company sales force channels
- Vending machine channels
- Company-owned retail store channels

Selection criteria of the appropriate marketing channel: As described previously, ultimate product and service reaches the end users/customers through effective marketing channel which consists of different members. The role of distribution, communication and selling channels should be properly defined while designing channel strategy and for those following important factors has to be considered during the selection of marketing channel.

A Paradigm of the channel design decision:

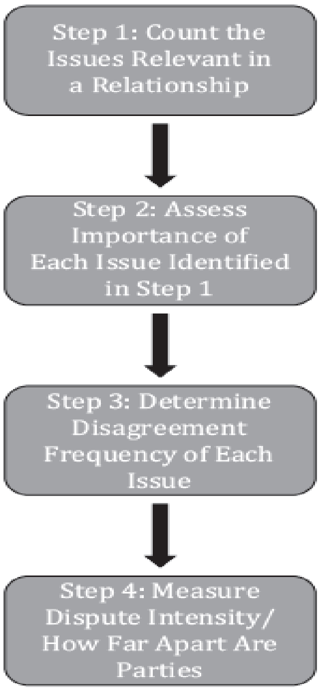
The channel design decision can be broken down into seven phases or steps:

1. Recognizing the need for a channel design decision
2. Setting and coordinating distribution objectives
3. Specifying distribution tasks
4. Developing possible alternative channel structures
5. Evaluating the variables affecting channel structure
6. Choosing the "best" channel structure
7. Selecting the channel members

E. **Channel Conflict:** Channel conflict arises when behaviour by one channel member is in opposition to the wishes or behaviours of its channel counterparts. The channel actor seeks a goal or object that its counterpart currently controls. Accordingly, channel conflict implies that one member of a channel views its upstream or downstream partner as an **adversary** or opponent. These interdependent parties, at different levels of the same channel (upstream and downstream), contest with each other for control. Manufacturers might decide to remove their products from certain retail establishments; retailers can choose not to carry certain manufacturers 'products in their stores. But these responses to conflict hurt both parties we provide an overview of a four-step approach to measuring conflict in channels and elaborate on the steps below:

The true level of conflict in a channel relationship depends on four elements.

Step 1. Count the issues: Which issues are of relevance to the two parties in the channel relationship? For car dealers, there are dozens of relevant issues in their relationships with manufacturers, such as inventories (vehicles and parts), allocation and delivery of cars, dealer staff size, advertising, allowances, reimbursement for warranty work, and so forth. It does not matter whether the issues are in dispute at any particular moment; the count must include all major aspects of the channel relationship.



Step 2. Assess importance: For each issue, some measure must exist to ascertain how important it is to the dealer. For example, dealers might indicate, on a 0–10 scale (very unimportant to very important), how important they consider each issue to their profitability.

Step 3. Determine disagreement frequency: How often do the two parties disagree about each issue? Dealers could be asked to recall their discussions with the manufacturer about each issue during the past year and indicate, on a 0–10 scale (never to always), how frequently those discussions involved disagreement.

Step 4. Measure dispute intensity: For each issue, how far apart are the two parties' positions? Using another 0–10 scale (not very intense to very intense), dealers can indicate how strongly they disagree during a typical discussion with their dealer about each issue.

- **Types of Conflict:**

Conflict implies incompatibility at some level. It frequently exists at such a low level, due mainly to the surrounding conditions, that channel members do not even really sense it. Such **latent conflict** is a norm in most marketing channels, in which the interests of channel members inevitably collide as the parties pursue their separate goals, strive to retain their autonomy, and compete for limited resources. If each player could ignore the others, latent conflict would disappear. But companies linked in a channel are fundamentally interdependent. Every member needs all other members to meet end-users' service output demands economically. This fundamental interdependence is taken for granted in marketing channels.

Because the organizations in these channels face constant conflicts, they lack the time or capacity to deal with each one explicitly. Instead, they focus on a few latent conflicts at any one time, while strategically overlooking others. Although this strategic choice enables the firms to function more efficiently on a day-to-day basis, the failure to account for latent conflict may become a problem if the partners develop new channel initiatives that transform the latent conflict and spark active opposition from channel partners.

In contrast with the latent form, **perceived conflict** arises as soon as a channel member senses opposition of any kind: of viewpoints, of perceptions, of sentiments, of interests, or of intentions. Perceived conflict is cognitive, emotionless, and mental, resulting simply from the recognition of a contentious situation. Thus even if two organizations perceive their disagreement, their individual members likely experience little emotion or frustration. They describe themselves as “businesslike” or “professional” and consider their differences “all in a day’s work.” This scenario also describes a normal (and often preferable) state in marketing channels, with little cause for alarm. These members might not even describe their dealings as conflict-laden, despite their opposition to each other on important issues. When emotions enter the picture, though, the channel experiences **felt (or affective) conflict**. The reasons that this type of conflict arises can vary, but the outcomes are similar: individual players start mentioning conflict in the channel, as a result of the negative emotions they experience, including tension, anxiety, anger, frustration, and hostility. Organizational members personalize their differences, such that their descriptions of their business interactions begin to sound like interpersonal disputes.

Types of conflict and competition:

No matter how well channels are designed and managed, there will be some conflict, if for no other reason than the interests of independent business entities do not always coincide.

Vertical channel conflict means conflict between different levels within the same channel. As one example, General Motors has come into conflict with its dealers in trying to enforce policies on service, pricing, and advertising. As another example, Coca- Cola came into conflict with its bottlers who agreed also to bottle Dr. Pepper.

Vertical channel conflict is currently raging in consumer packaged goods, where power has shifted from producers to retailers. Even as manufacturers continue to pump out thousands of new products, retailers seeking maximum productivity from their limited shelf space are able to collect slotting fees from manufacturers for stocking new products, display fees to cover space costs, fines for late deliveries and incomplete orders, and exit fees to cover the cost of returning goods to producers. Trying to regain power from retailers, manufacturers are expanding into alternative channels, putting more emphasis on market-leading brands, and developing stronger links with important retailers through value-added distribution systems and programs that benefit all members of the channel.

Horizontal channel conflict involves conflict between members at the same level within the channel. Horizontal channel conflict erupted, for instance, when some Pizza Inn franchisees complained about other Pizza Inn franchisees cheating on ingredients, maintaining poor service, and hurting the overall Pizza Inn image.

Multichannel conflict exists when the manufacturer has established two or more channels that sell to the same market. For instance, when Goodyear began selling its tires through Sears, Wal-Mart, and Discount Tire, the move angered its independent dealers. Goodyear eventually placated them by offering exclusive tire models that would not be sold in other retail outlets.

C. Major sources of conflict in channels:

Most conflict is rooted in differences in

(1) Channel members' goals,

(2) Perceptions of reality, and

(3) Perceived domains, or areas in which they should be able to operate with autonomy.

The last is the most complex of these three sources, because domain conflict comprises many sub dimensions. For example, in the product market sub dimension, manufacturers today go to market through so many different routes that their channel partners are bound to compete for some of the same business. If the channels are redundant, competition over customers can quickly turn into conflict with the supplier. Other sub dimension includes clashes over each party's role and sphere of influence. We therefore build up to this complex discussion and begin instead with one of the most intractable problems: clashing goals.

D. Causes of channel conflict:

Why does channel conflict erupt? One major cause is goal incompatibility. For example, the manufacturer may want to achieve rapid market penetration through a low-price policy. The dealers, in contrast, may prefer to work with high margins for short-run profitability. Sometimes conflict arises from unclear roles and rights. This is what happened when IBM started selling PCs to large accounts through its own sales force while its licensed dealers were also trying to sell to large accounts. Territory boundaries and credit for sales often produce conflict in such situations. By adding new channels, a company faces the possibility of channel conflict, as the earlier insurance example indicated. Conflict can also stem from differences in perception, as when the producer is optimistic about the short-term economic outlook and wants dealers to carry more inventory, while its dealers are more pessimistic about future prospects. At times, conflict can arise because of the intermediaries' great dependence on the manufacturer. The fortunes of exclusive dealers, such as auto dealers, are intimately affected by the manufacturer's product and pricing decisions. This creates a high potential for conflict.

E. Strategy in marketing channels:

Channel Strategy Defined: Kotler defines marketing strategy as "the broad principles by which the business unit expects to achieve its marketing objectives in a target market. Marketing channel strategy can be viewed as a special case of the more general marketing strategy. Hence we can define marketing channel strategy as: The broad principles by which the firm expects to achieve its distribution objectives for its target market(s). This definition, though parallel to Kotler 's definition of marketing strategy, is narrower because it focuses on the principles as guidelines for achieving the firm 's distribution objectives rather than on general marketing objectives (which include product, price, and promotional objectives). Thus, marketing channel strategy is concerned with the place aspect of marketing strategy, while the other three Ps of the marketing mix address product, price, and promotional strategies.As we shall see shortly, channel strategy, though relatively narrow in focus, may be of equal or more importance than the other strategic variables of the marketing mix, as well as of vital importance in the firm's overall objectives and strategies.

Physical Distribution Management: Physical distribution of material objects from the place of production (manufacturer or retailer) to the point of use (buyer / customer). It is identified as a sub-supply function responsible for the handling and processing of items from delivery to delivery to the end customer - or removal from the system. Distribution is one of the most important factors in marketing integration. So distribution channel management involves making sure that the distribution system supports some of the variables of the marketing mix. For example, money spent on advertising may be spent if the product is not widely available in local stores.

The role of managing the distribution channel has received widespread attention from both production organizations and services over the past two decades. Faced with declining interest rates in an increasingly competitive environment, organizations viewed the distribution channel function as a major source of cost reductions and increased return on investment.

An advertiser uses distribution channels to display or deliver an actual product or service to the buyer or user. There are visible distribution channels and service distribution channels, including warehouses, vehicles, and various trading channels such as distributors, wholesales, and retailers. The advertiser also uses sales channels to conduct transactions with potential buyers. Commercial channels include not only distributors and sellers but also banks and insurance companies that facilitate transactions. Vendors are faced with the obvious design problem in choosing the best mix for communication, distribution, and marketing channels for their offerings.

The distribution of drugs is different from the standard product distribution system. As we know, distribution includes all activities that allow the transfer of assets and / or economic product over tangible and / or intangible assets from one subject to another. Distribution is one of the most important business activities as it ensures the visibility and availability of a particular product in the market. Distribution encompasses a system of all activities related to the transfer of economic assets between producers and consumers. The distribution line facilitates the delivery of the product from the manufacturer to the final customer. In many cases, these channels include a well-organized network of manufacturers, retailers, and retailers who develop relationships and work together to make products more accessible to customers. By ensuring the proper distribution of products to customers helps companies to stay in the market longer.

Many pharmaceutical companies distribute their products in warehouses located in various parts of the country. The distribution channel determines the route the goods and services travel from the manufacturer / manufacturer through marketing consultants (such as retailers, distributors, and retailers) to the end user of the product. Distribution channels offer a low river content by delivering finished products to end users. This flow may involve the body's movement of the product or simply the transfer of title to it. It can be defined as a distribution channel, distribution chain, pipeline, supply chain, marketing channel, market channel, and trading channel.

- **Tasks in Physical Distribution Management:** The strategic planning process for a physical distribution system design involves an evaluation of alternate physical distribution system configurations that meet customer service requirements at the lowest total system cost. Customer service goals and strategies in turn serve as the bases for the determination of inventory, warehousing, transportation, and order processing strategies and programs as well as for related investments in inventories, warehousing and distribution centre facilities, transportation equipment, and management information system hardware.

➢ **Specifying the Distribution Tasks:** After distribution objectives have been set and coordinated, a number of distribution tasks (functions) must be performed if the distribution objectives are to be met. The channel manager should, therefore, specify explicitly the nature of these tasks. Over the years, marketing scholars have discussed numerous lists of marketing tasks (functions). These lists generally included such activities as buying, selling, communication, transportation, storage, risk taking, financing, breaking bulk, and others Such classifications of marketing functions, while useful to those seeking to explain the role of marketing in a macro context, are of little direct value to the channel manager operating in the individual firm. The job of the channel manager in outlining distribution functions or tasks is much more specific and situationally dependent. The kinds of tasks required to meet specific distribution objectives must be precisely stated. For example, a manufacturer of a consumer product such as, say, high-quality tennis racquets aimed at serious amateur tennis players would need to specify distribution tasks such as the following to make the racquets readily available to them:

1. Gather information on target market shopping patterns
2. Promote product availability in the target market
3. Maintain inventory storage to assure timely availability
4. Compile information about product features
5. Provide for hands-on tryout of product
6. Sell against competitive products
7. Process and fill specific customer orders
8. Transport the product
9. Arrange for credit provisions
10. Provide product warranty service
11. Provide repair and restringing service
12. Establish product return procedure

The specification of distribution tasks for products sold in industrial markets often has to be even more specifically stated than for consumer products. For example, a steel or metal producer whose distribution objectives call for dealing with a target market that contains many small customers would have such basic distribution tasks as selling, communication, transportation, storage, risk taking, and financing

F. Distribution Tasks Performed by Retailers: The role of retailers in performing distribution tasks is summarized very succinctly in a classic statement by Charles Y. Lazarus: The role of the retailer in the distribution channel, regardless of his size or type, is to interpret the demands of his customers and to find and stock the goods these customers want, when they want them, and in the way they want them. This adds up to having the right assortments at the time customers are ready to buy.

Following are the distribution tasks for which retailers are especially well suited, as follows:

1. Offering manpower and physical facilities that enable producers, manufacturers and wholesalers to have many points of contact with consumers close to their places of residence
2. Providing personal selling, advertising and display to aid in selling supplier’s products
3. Interpreting consumer demand and relaying this information back through the channel
4. Dividing large quantities into consumer-sized lots, thereby providing economies for supplies (by accepting relatively large shipments) and convenience for consumers
5. Offering storage, so that suppliers can have widely dispersed inventories of their products at low cost and enabling consumers to have close access to the products of producers, manufacturers and wholesalers
6. Removing substantial risk from the producer and manufacturer (or wholesaler) by ordering and accepting delivery in advance of the season.

I. Measures of channel performance: The Quantitative and Qualitative measures of the channel performance are as follows:

a. Quantitative Measure of Channel Performance

- Total distribution cost unit
- Transportation cost per unit
- Ware housing cost per unit
- Production cost per unit
- Costs associated per unit
- Percentage of stock out units
- Percentage of obsolete inventories
- Percentage of bad debts
- Customer service level by product, by market segment
- Accuracy of sales forecasts
- Number of new markets entered
- Percentage of market down volume
- Number of percentage of new distributors.

- Percentage of damaged merchandise
- Size of order
- Ability to keep the new technology
- Number of customer complaints

b. Qualitative Measures of Channel Performance

- Degree of channel coordination
- Degree of cooperation
- Degree of conflict
- Degree of domain consensus
- Recognition of super ordinate goals
- Degree of channel relationship
- Degree of functional duplication
- Degree of commitment to channel
- Degree of power locus development
- Degree of flexibility in functional shift ability
- Availability of information about
  i. Physical inventory
  ii. Product characteristics
  iii. Pricing structures
  iv. Promotional data like inventory, personal selling assistance, advertising, point of purchase displays, market conditions, service available and organizational changes.
- Assimilation of new technology
- Innovation in distribution generated within the channel
- Extent of intra-brand competition
- Extent of routinization of channel tasks
- Extent of use of optimal inventory standards
- Relation with trade associations
- Relation with consumer groups

Types of distribution channel format practices:

Types of channel formats vary based on the channel requirements. Stern, L. W., El-Ansary, A. I. and Coughlan, A. T., Erin Anderson suggest the types of distribution channel formats.

a. Manufacturers-Based Channel Formats

- Manufacturer Direct
- Manufacturer-Owned Full-Service Whole Saler-Distributor
- Company Store-Manufacturer Outlet
- License
- Consignment-Locker Stock
- Broker

b. Retailer Based Channel Formats

- Franchise
- Dealer Direct
- Buying club
- Warehouse Club-Wholesale Club
- Mail Order-Costing
- Food Retailer
- Department Store
- Mass-Merchandiser
- Specialty Store

c. Service-Provider-Based Channel Formats

- Contract Warehousing
- Integration of truck and rail (Inter-modal)
- Stack Train and Road Railer
- Scheduled Train
- Out sourcing
- Direct Maile
- Value-Added Reseller
- Influencer-Specifier
- Financial Service Provider

d. Other Channel Formats

- Door-to-Door Formats
- Individual On-site
- Route
- Home Party
- Multilevel Marketing
- Service Merchandising-Rack Jobbing

- Buyer- Initiated Formats
- Co-operative Stores
- Dealer Owned Co-op
- Buying Group

Designing of pharmaceutical marketing channels:

Channel of distribution determines the route along which goods and services travel from producer/manufacturer through marketing intermediaries (such as wholesalers, distributors, and retailers) to the final user of the product. Channels of distribution provide downstream value by bringing finished products to end users. This flow may involve the physical movement of the product or simply the transfer of title to it. It can be defined as a distribution channel, a distribution chain, a distribution pipeline, a supply chain, a marketing channel, a market channel, and a trade channel etc. Consequently, a good number of research works have been conducted on this issue in different folds. A brief review of literature regarding pharmaceuticals product distribution in home and abroad has been presented in the following paragraph.

Most producers do not directly sell their goods to the final users or the end users; between this two, it stands a set of intermediaries performing a variety of functions, these intermediaries constitute a marketing channel. Basically, marketing channels defines as the sets of interdependent organizations involved in the process of making a product or service available for using or consumption to the customer. Hill (2010) defines that distribution channel comprises of one or more companies or individuals who participate in the flow of goods and services from the manufacturer to the final user or consumer. Rosenbloom (2004) mentions distribution channels have traditionally been seems as a network that made of interdependent institutions that have banded together for purposes of trade and mutual advantage. Coyle and Bardi (2003) studied that channel of distribution consist of one or more companies or individuals who participate in the flow of goods, services, information, and finances from the producer to the final user or consumer.

The first axiom of distribution design is to consider the real value of product and service that is marketed. The designing of channel contains eight major steps; they are as follows (Louis P. Bucklin 1978)

a) Examine what's being sold for value

b) End-user segment analysis: A zero-base approach

c) Distribution outlet design for end users

d) Designing the ideal distribution system

e) Analysis of the existing system

f) Investing external and internal constraints and opportunities

g) Assessing environmental/external drivers

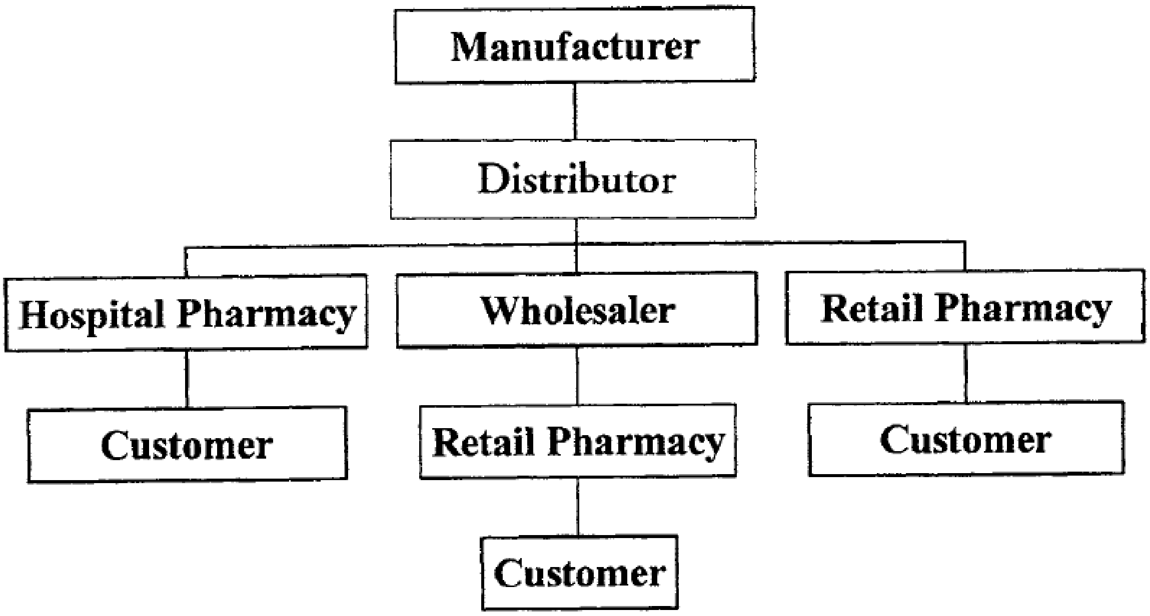
h) Delineating the options: gap analysis

i) External analysis of objectives/constraints

j) Confronting the constraints/ objectives

k) Reaching the optimal distribution system/preparing for

Marketing Distribution Strategy: The design, implementation and control of distribution strategy are the most important tasks of the overall marketing strategy.



Chapter 6: Professional Sales Representative (PSR)

Professional sales representative or Pharmaceutical Sales Representative or medical representative is a sales professional specialized in selling pharmaceutical and medical products. In order to attract Pharmaceutical Sales Representative that best matches your needs, it is very important to write a clear and precise Pharmaceutical Sales Representative job description.

As a pharmaceutical's sales representative, everyone's job is to SELL. Selling is carried out in three stages:

- Pre-Call Planning
- Sales Call
- Post Call Analysis

Pre-Call planning includes all activities carried out before a sale call and would include (but not necessarily limited to:

- Medical Knowledge
- Product Knowledge
- Selling Skills

A Sales call is normally composed of:

- Opening
- Probing
- Reinforcing
- Offering a Solution
- Gaining Commitment

Post Call Analysis consists of matching the outcome to the expectations, making adjustments on the performance and planning a follow up to continue the process over and over.

In order to do all of the above, a Pharmaceutical Sales Rep has to demonstrate the following competencies or behaviors irrespective of the type of products he is selling or the customer group he is handling.

- Sales Ability and Persuasiveness
- Building Strategic Working Relationships
- Client/ Customer Focus

- Communication Skills (Verbal, including presentations)
- Achievement Orientation
- Tenacity
- Self Confidence/Ability to Bounce Back
- Stress Tolerance

The most usual form of transformation to a pharmaceutical sales manager is the 'promotion' of Pharmaceutical Sales Rep to this position. However, upon assuming the role, a former sales rep comes to realize that now he is supposed to do the following more than anything else.

- Find and hire sales executives
- Give training to them
- Expand business in region though careful preparation and implementation
- Measure performance of his team and award.

6.1.Pharmaceutical Sales Representative duties and responsibilities

- Assess physicians or patient's needs and present suitable promoted products
- Communicate with and influence targeted doctors to prescribe our products utilizing effective selling skills and performing cost-benefit analysis
- Provide product information and deliver product samples
- Attend sales meetings, conference calls, training sessions and symposium circuits
- Work with sales team to develop strategies and implement brand strategies to ensure a consistent marketing message
- Build positive trust relationships to influence targeted group in the decision making process
- Monitor and analyze data and market conditions to identify competitive advantage
- Keep accurate records and documentation for reporting and feedback
- Pursue continuous learning and professional development and stay up-to-date with latest medical data
- Promote products ethically and within compliance based on company's sales process and approved marketing strategy
- Build and maintain strong relationships with key customers across multiple settings
- Highly ethical with a strong sense of integrity

6.2. Detailing tips for Medical Representative

One of the secrets to success as a medical representative is successful detailing. It's an important step to convince the doctors to prescribe your medicine. In this post, you're going to look at tips to promote your product when you detail during your visits.

Product detailing in the Pharma Industry

When you visit your doctors, do you know what they expect from you? Detailing products is not the only thing you do when you meet your doctors, but it is one of the tips for medical representatives for success in pharmaceutical sales.

Before you get down to all the juicy tips, you want to distinguish these few things firsts:

- What is pharmaceutical detailing
- What represents the importance of detailing medical reps
- How is the mechanism of detailing?

What is pharmaceutical detailing?

To offer you a basic definition, it's a promotional activity done face-to-face with your doctors using materials like products brochures, and in today's pharmaceutical industry, using e-detailing tools like iPad, laptops or tablet PC to deliver critical messages to convince the doctors to prescribe your medicine.

What represents the importance of detailing for medical reps?

It's a part of their roles and responsibilities. It's one of those visible functions of being a rep if you are one, which you are often being evaluated on. Some pharma companies go to the extent and make detailing as the particular thing that counts for. Reps are expected to promote and close in a pharma sales call. It's what generates the revenue, and revenue is exceptionally significant for the company you're presenting.

How is the mechanism of detailing?

First, you need to do pharmaceutical call planning. This is when you plan to meet what doctors expect from medical sales reps. Once you have done this, you'll have the idea of what to bring with you during your visit to the doctors. Then you record the outcome from that interaction, and you set the objective for the next. As you can see, there are not much of secrets to succeeding as a medical representative.

Medical Representative product detailing tips

1) There is no right or wrong way to convince doctors: what works and what doesn't. You can differentiate to set it up as a “old school versus new school” definition but the main

point is which one works best for you. There is very little value in having the latest marketing strategies like SPIN marketing, SNAP marketing, Community Style (S4), Value Base Selling, Patients Focus Selling or whatever you have if you speak simple, point to a brochure and ask for commitment to achieve your goal. the purpose of the sale is the same.

2) Ask yourself if you have a good or short experience. Depending on the cost of the drug, long calls will require you to provide more information compared to the shorter one. It makes sense. A long phone call usually takes you through the process of asking questions, making an initial profit statement, checking your acceptance, confirming your claim academically, dealing with your concerns and asking for commitment. A short call is reached only by greeting and discussing the important message and schedule of another meeting.

3) Is it a technical or tracking call? A technology call can mean that this is the first time you have called a potential customer or customer and you need to take the time to introduce the company and product and go through many other details. A follow-up call is usually a continuation of what you discussed before that meeting (a continuation of the sales cycle).

4) Do you see the decision maker or non-decision maker? As it sounds, the decision maker does not need anything left over to make a final call but the decision-maker may need to be informed of the progress of the marketing process or negotiation.

5) Are you a GP (General Practitioners) or a Sales Center? Some physicians require a detailed description of the product or service you are offering. Most of the time, they need to know how big their profits are but there are exceptions in some cases. In institutions, customers need to be provided with more information but when it comes to decision making; you may need to go through a few layers before making a conclusion, with or without your details. Sadly, some Institutions require you to manage bureaucracy well. It is what it is.

6) You want to be as prepared as you can be. Consume all you can about your product assets including Packet Insert / Product Info (PI). Ask your Brand Manager (BM) or Product Manager (PM), Sales Manager (SM) and anyone responsible for informing you about the product all you wish to inform you about the product and the related problem. Make sure you understand enough to introduce to potential attendees or your customers.

7) Get acquainted with those who know the product or the customer. In detail the practice, this is called "funny details." You learn how to best present your piece, get feedback,

exercise more and go out to your customers. This may be unpleasant at first, but after a while you will find it.

8) Call and record your performance afterwards. It would be great if someone else did this with you as you would show a tendency to be careless or to miss your negligent habits such as pointing a booklet with a pen, etc. but do your best to record what you did well, what you included in quitting and what you need to keep working.

9) Polish your details and keep polishing them until you improve your style. It will take some time before you gain detailed knowledge and that is why you need to keep practicing. You will not say when the company will amend your portfolio or improve your local area, or change the company to get more productive work and more.

Things to avoid when you're working to convince the doctor to prescribe your medicine:

1) Inadequate preparation. No background checks are performed on the previous call or check past customer record to customize the way before the sales call. In extreme cases, incorrect information or product was introduced during a sales call. It is possible, but easily avoided.

2) Saying the wrong thing to the wrong crowd. Detailed messages are inconsistent, and lead to many questions, and turn out to be losing customer interest. It’s a classic “send a duck to talk to a chicken” kind of situation. If adequate repairs were made before the fence, this could be avoided without sweating.

3) Not learning body language. Proponents of her case have been working to make the actual transcript of this statement available online. Learning a non-verbal cue when giving information is as important as delivering an oral message, in fact, in some cases, it is even more important to pay attention to the unspoken message.

4) Failed to add value. There is no additional value in terms of trying to say too much in such a short time to say too little in a product-related matter when you have a long time (spend a lot of time chat-chit-chatting), and customers get lost in the conversation, and respondents find out. it is a challenge to get them back on track.

5) Time pressure. As a recent survey reported that most doctors spend less time with a medical professional and most MRs cannot really decide what to say when they get a chance to meet a doctor face-to-face.

6) Improper use of data resources or visual resources during data processing. For example, reps continue to browse brochures to find out when a piece of information related to the topic being discussed is available so they lose customer attention and interest (and patience).

7) No, follow. As many reps think that clarification is a past event and lasts a moment when they leave the doctor's room. They should be aware that the retention rate of pharmacists may be very short due to disruption of another stressful issue such as patient health and other medical products. They need to be reminded beyond information, and that means ‘tracking.’

8) I don't know when to start. For some reason, because so many representatives talk about the subject outside of their products, they keep talking about the unrelated subject and talk very little or almost zero about their main product messages. They can talk for hours about movies, sports, travel and even forget that they are there to bring important and important words to customers.

9) I do not know when to stop. One MR, even after being reminded by support staff that a doctor needs to look into another matter, keeps pressing on what they are saying. Falling into this or previous error is easy. These are just some of the same coin.

10) One-way communication channel. This is also known as talking to a Doctor. Treating customers like a wall triggers a similar reaction from customers. Customers find it easy to lose interest because they have so many other things to consider.

11) Do not check acceptance. Proponents of her case have been working to make the actual transcript of this statement available online. This may be one of the most common mistakes made by MR especially when working alone without proper training.

12) It does not confirm the claim / statement. This violates the ethical principles of evidence-based medicine. Even we do not want to rely on public opinion as to whether drugs can meet our medical needs or not.

13) Assume customers know everything. This error causes repeaters to skip many important relevant questions about the product they represent. Consumers may know a lot about back pain and maybe drug-based science, but representatives should know more about how their product works on customer performance. Don't think. Ask a question.

14) Respondents immediately dropped the beans on the fence. They did not create interest in customers to feel the need to take advantage of what was offered. In the competitive pharmaceutical industry, building customer attention has become increasingly important to ensure that the drug site is the drug of choice.

15) Bad habit of explaining details. Behaviours such as not pointing a booklet with a pen, keeping detailed resources close to them and other habits that can drive a customer interest and attention to the message being delivered are also common. MR needs to recognize this practice and replace it with a positive pattern.

6.3. Selection and training

The foremost and honest question that any manager hiring sales reps must ask to him or her is the following:

What kind of job(s) I expect this sales rep to do? The answer may not be as simple as it looks like. It varies from company to company to company, division to division, city to city, drug to drug, and city to city.

Managers are facing a big dilemma these days: In the society they come across the following comments quite frequently:

- The job market is shrinking day by day
- It is extremely difficult to get jobs without appropriate connections.
- I did my MBA/graduation last year and still looking for a job
- I must burn all my degrees. They are of no use to me if I cannot get a job.
- Candidates are pre-selected. There is no fun appearing for interviews again and again.

On the other hand, when managers need to induct a new team member, they don't know where to track them down. First thing they do is to pick up the phone and start calling all 'friends'. These 'friends' either don't remember who contacted them last week for a job or simply don't have any! Even if they do, they would like to favor someone who eventually becomes a headache for all. When they advertise, they get a lot of junk, everyone just trying to drop in their CV's for the fun of it. Some authentic sources of new as well as experienced pharmaceutical reps could be one or all of the following:

- Universities and colleges offering a degree in Pharmacy
- Career ladders from within your organization
- Customers who can be referrals
- Referrals from your present sales reps
- Competition
- Corporate Database
- Professional organizations
- Pharmaceutical Distributors
- Personal Networks
- Advertisements in quality newspapers with nationwide circulation
- Recruiters
- Outsourcing firms and job fairs

The selection process:

We all tend to think we are a pretty good judge of skills. “A guy walks in through the door; interviewer makes up his mind whether or not to hire him. The rest of the interview is just a routine” Commented one of the very senior colleagues.

It said that impressions are made within the first 30 seconds of meeting? Interviewer’s brains come pre-programmed to evaluate others based on a quick "snapshot." This tendency to form quick opinions might be time-efficient, but it is often highly inaccurate. If we had a system to analyze what happens after two or three or ten years with that new hire, most of us would tend to shy away from the discussion on our depressing track record.

The following chart illustrates some of the most common selection methods and their average "predictability". The numbers were gathered from hundreds of controlled studies.

Selection Method	"Predictability"
Handwriting Analysis	0%
Age	0%
Amount of Education	0%
Self-Assessment	3%
Projective Tests	3%
Traditional Interviews	4%
Grade Point Averages	4%
Expert Recommendations	4%
Personality Tests	4%
Motivation	4%
Reference Check	6%
Biographical Data	9%
Situational Interviews	9%
Behavioral Event Interviews	10%
Mental Ability Tests	25%
Content Valid Simulations	64%
Adapted from a meta-analysis conducted by Hunter and Hunter, Psychological Bulletin, Vol. 96, 1984. Percentages have been rounded.	

Structured application forms

An application form is a formal form created by a contractor, who will fill in the form and fill it in. This may be more than just a CV, or as a substitute. CVs may, when application forms are required, be 'voluntary'. The application form for amendment does not replace the CV. It requires more information on specific areas that are shaped by the important conditions you are looking for. For example, you could ask for information about working in groups, or even ask them to write a clip about their ideas about the evolution of your market.

The replacement CV form should gather all the necessary information, including contact details, job history, personal and educational statements, as well as any special work-related information you need. The development of an application form for an amendment begins with a good work analysis, in which the essential methods to be sought and the parts of the form are designed where the data can be collected in a reliable manner. The design of the form should be to include clear instructions so that the candidate does not have to question what is required in each category. This may include checkboxes for various forms of basic facts (eg male / female computerized checklist), single-line fields for shortcuts such as their names, and large boxes for free format descriptions, such as descriptions of their responsibilities in various activities.

If the form is going to be on paper, it should apply the general principles of image formation, such as the explicit use of space, inserting corresponding sets of information on one side of the paper, etc. If the form is to be used on the web, it means that Web design principles should be applied, such as dealing with changing the size of windows, delete the 'move' button, etc. The application form is one of the employer's CV. This gives them a first choice tool that can be used to make a short list based on what the job requirements are instead of what the applicant chooses to say. Application forms are limited, and longer forms may be postponed for other candidates (although this may be helpful in postponing the normal applicant).

Application forms are widely used on the web and facilitate automatic filtering, where the work may have multiple applicants and individual sections can be scanned to find specific keywords (such as qualifications or information). Application forms, such as CVs, report themselves and that is why due care is required during their assessment. The information provided on the participants' application forms should be checked from sources.

The candidate will carefully prepare the application form, as it usually indicates (or even announces) the important process required by the hiring company. Design of Application Forms must take into account legal barriers. If there is any legal challenge to the application process, the motive for any item in the application form may be challenged. Therefore, both the language and the content of the application forms need to be carefully scrutinized in order to appear biased and sensitive. For example, if nationality is questioned, there should be a good reason for this (and the words should also be ‘politically correct’).

Biodata

Biodata methods collect biographical information about a person that has been proven to correlate with good job performance. The correlations can be quite strange: all you need is to know that if a person has a certain item in their history that they are more likely to be good at the target job.More recent and understandable events can also be used, for example working on government projects might correlate with effective use of project management methodologies. Biodata can include aspects of personal information, childhood, education, employment, external experiences, skills, socioeconomic status, social activities, hobbies and personal traits and characteristics.

Biodata is collected using a written form, structured to discover the key information that is required. The target people complete the form and hand it in, where it is studied for the key characteristics being sought. First start off by defining the performance that you are seeking. This should be in a form that will help you with the next step, for example using standard descriptions of 'leadership' or 'technical ability'. Find a significant population from which you can extract sufficient numbers of high performers in the job you are analyzing. Thus a large company may study international managers who have proven successful at managing virtual teams, whilst an army may seek individual soldiers who have shown exemplary battlefield bravery (perhaps via those who have been awarded medals).

Design a structured and repeatable data collection method to extract as much biographical information as you can handle. This may include investigation of childhood events, education, jobs performed and self-reported significant 'life events'. Approaches such as Critical Incident Technique, Interview and Structured questionnaires may be used to collect information. Each method used will typically expose different information, allowing different facets of the person to be examined.

This step is largely statistical, as the biographical data is coded and correlated with job performance.

Scoring is done with ‘item responses level keying’.

- *Empirical approach*: look at proportion of variance accounted for between item and outcome criteria.
- *Rational approach*: job experts devise weightings based on theoretical a priori links.

Draft a questionnaire for each hypothesized scale and apply to a large sample (450). Each question is tested and results are factor analyzed to find (desirable) clustering. When collecting biodata information, it can be a good idea to hide the key characteristics you are seeking within other irrelevant information (which also may be found in your researches). Where possible, collect hard, verifiable items (such as examinations passed). Where this is not possible, the potential for faking must be taken into account. Biodata is little known but is widely used (the first recorded use was in Chicago in 1894). It has nothing to do with biological aspects of the person, but has much to do with their biography (biodata is short for 'biographical data', not 'biological data'). Done well it has a high level of reliability and validity. Unlike many other tools, biodata has a solely empirical root. There is no psychological theory behind it. It simply finds what works and does not question why. The founding hypothesis is that statistics holds true, and that correlations found in some people will also be found in other people.

Developing biodata tests is very time-consuming and hence costly. This goes some way to explain its use in particular areas, for example the military, where there is a large population available for study and a consistent need in terms of job performance. Biodata is different from personality tests in that it has a broader content and is more specific. It can also be re-scored for different roles and can be done both by candidate and also by someone they know. Once developed, it is then quick to process lots of applicants, particularly if multiple-choice tick-boxes are used. Biodata has face validity and is clearly fair as it is same for all. It is also easier to monitor for discrimination.

Resume / Curriculum Vitae

The resume (USA) or CV (UK) is a personal summary of an applicant's history that may include:

- Contact details
- Summary statement about the person, characterizing them and their ambitions.
- Experience (usually the main body of the application)
- Qualifications, both academic and professional
- Hobbies and other interests

The two most common types of CV are active CV and historical resumé. In a valid CV, the applicant takes a list of specific skills and knowledge and provides proof of their competence in each item. In the course of history, they summarize the success of the positions in historical order (usually with the most recent works first). A CV is probably the most commonly used tool in selection, at least in the initial selection process where it is often used as the basis for a short initial list (at least for external candidates --- internal selection usually does not use a CV). Care must be exercised here, for when there are many baptisms, it is easy to 'throw away the baby and the bath water', to sift out the good and the bad.

A CV is a self-report report, and, as a result, can be truly economical or contain even exaggerated construction. Applicants are aware of the value of their CV, which may receive a few seconds before it is rejected, and may be overly concerned with its construction. A well-designed CV can indicate that a person is careful and competent. It may also be true that they are paying a professional to write to them. They may also have thought carefully about what they should tell you and what they could not tell you. Most amateur structures can be slightly polished but can also be naiver and reliable.

As the first thing the landlord sees in person and the tool commonly used in negotiations, it often has an unequal impact. For use in discussions, key features associated with work conditions may be extracted and used to assist in assessment. If someone is sleeping on a CV, you can see this during the detailed interview. You can also follow the referee (although remember that these are also candidate candidates). CVs are written by a candidate and are intended to show them in the best possible way so they are less likely to include negative content. The CV can therefore be taken as a reference only, with confirmation of important matters in other ways, such as tracking references, asking questions during the interview and skills testing with a sample of work..

Psychometric Screening and Short-listing

Psychometric means ‘mental measurement’. However, psychometric tests are used to measure personality, ability, motivation, competencies, behaviors and interest of individuals so as to match them with the requirements of the employer.

'A psychological test is any procedure on the basis of which inferences are made concerning a person's capacity, propensity or liability to act, react, experience, or to structure or order thought or behavior in particular ways.' The British Psychological Society

The aim of this Chapter is to act as a practical guide, taking you step by step through the process of selecting the most appropriate psychometric test or tests, in order to provide your own workplace solutions. The word test is not to be confused. Since most of these processes are not ‘tests’ as such, it is quite appropriate to use words like instrument, assessment, questionnaire, inventory or tool for this process.

Two main types of psychometric tests are commonly used in the workplace:

- General ability tests or Tests of maximum performance
- Personality or interest inventories or Tests of typical performance

The British Psychological Society has set up a Level A and B certificate scheme for test users, which serves as Certificates of Competence in Occupational Testing. It is strongly recommended that in order to maintain professional standards, all test users should seek certification in test use.

Psychometric tests are commonly used for:

- Selection
- Promotion
- Managing your team and team development
- Personal development: growing potential in the individual
- Career counseling and development

The benefits of using a good psychometric test or tool to assess people are that they give results that are:

- Reliable – able to be trusted, because they are consistent across administrations and sample groups
- Systematic – working to a fixed plan
- Valid – measures of what the tests set out to measure
- Objective – not influenced by personal feelings or opinions

All test takers can benefit from the fairness and equality treatment because they are assessed under controlled conditions regardless of diversity of background, gender and age against one another.

Testing can help employers to:

- Identify high performers with the potential to fit job demands
- Facilitate personal and team development through understanding of individuals and team members and their possible interaction.
- Improve the motivation and morale of those tested, through acknowledgement of their contribution to organizational development
- Utilizing knowledge and understanding of staff's strengths to place them in appropriate functions and thus increase retention
- Identify star performers by developing benchmarks
- Clearly demonstrate fairness and equal opportunities for all
- Demonstrate consistency over time by using reliable and valid methods of assessment
- Reduce time, costs and mismatches in recruitment and selection thereby adding money to the bottom-line

- Assist with group training and individual coaching
- Deal better with situations like downsizing, mergers, acquisitions etc. by reading pulse in advance for such an organizational change

The following checklist will help avoid any mistakes of selecting an inappropriate psychometric test:

- Does the test come with a user guide explaining how to administer, score, analyze and interpret?
- Are there any controlled trials carried out with it? If yes, what was the size of respondents? How were the samples collected?
- Was this data published in journals of repute?
- What is the test's reliability strength?
- Does it give consistent results, over a period of time?
- Has the test been validated across cultures, occupations, age and gender and norms produced for each group?
- What are the valid test measures what it purports to measure? E.g. an aspect of self such as ability, personality, behavior, intelligence, motivation or aptitude.
- Are faking detectors built in to check for signs of manipulation from the test taker?
- Does it match with the job analysis of the attributes actually required to do the job?

Test takers have a right to know:

- Were the tests are properly constructed?
- Who will have access to results?
- How confidentiality will be protected?
- What assurances will be given to ensure that test scores are not used for purposes other than those agreed with the test taker?
- Whether the test users are competent to score and interpret results?
- How test scores will be communicated and to whom?
- How long test scores will be stored?
- What feedback will be given?
- How their results will be used and interpreted?

Competency based Pharmaceutical Representative Selection and Interview

Employee Selection is the process of matching people and jobs. The decision making process in hiring is typically involves multiple interviews and interviewer ratings, and it may make use of performance tests and assessment centers.

There has been much debate regarding the differences between competence, competency and competent. The Oxford English Dictionary gives (among others) the definitions:

Competent (adj) – having adequate skill, properly qualified, effective. Competence (and competency) (n) – power, ability, capacity (to *do*, *for* a task etc).

Definition of (a) *Competency*

The most common definitions in recent years are:

- "An underlying characteristic of an individual that is causally related to criterion-referenced effective and/or superior performance in a job or situation" (Spencer 1993)
- "A characteristic and measurable pattern of behaviours, knowledge and skill that contributes to superior job performance" (Dubois 1993)
- A competency describes the behavior or actions that can be seen when a job is being done well.

You must realize that on order to improve your sales, you need to have quality people and to get quality people you need a quality selection system. If you get selection right, a lot of your headaches will go away automatically. You must also understand that products or services may change over time and but the behavior of people seldom changes. That is why the world is adapting the systems of ***behavioral interviewing*** considering it as the most reliable way of selecting sales reps, who possess the competencies critical to exemplary job performance and a company's success. The underlying premise of behavioral interviewing is that past behavior is predictive of future behavior and thus focuses on past behaviors and asks candidates how they have handled certain situations in the past. A basic conceptual understanding of behavioral interviewing is key to its successful implementation. A selection process based on behavioral interviewing initiates with an identification of the critical competencies associated with performing a job well and ends with an assessment of the competencies of the job candidate and determining whether they match those of the job.

Traditional hiring systems are often based on the technical qualifications for a job, and traditional interviews focus on detailed discussions of job experience. These interviews are usually based on several "stock" questions, such as:

- What are your strengths and weaknesses?
- What could you bring to our organization?
- Why do you want this job?
- What do you think makes you the best candidate for this job?

The steps to develop a competency based interviewing process include:

- Identifying which job competencies to focus on during interviews. (See Position Profile)
- Developing an Interview Guide using the behavioral interview questions based on STAR Technique. (Details given below)
- Interview scheduling and logistics.
- Scoring and evaluating behavioral interviews.

Identify the competencies to focus on during the interview

There are generally 4 globally established and recognized models of "Competencies". They are as follows:

- Development Dimensions International (www.ddiworld.org)
- SHL (www.shl.com)
- Hay Group (www.haygroup.com)
- Spencer and Spencer, Competence at Work. (www.amazon.com)

The following "Critical" or 'knock-out' competencies for a pharmaceutical sales rep.

- Sales Ability and Persuasiveness
- Building Strategic Working Relationships
- Client/Customer Focus

The following are 'essential' competencies:

- Communication Skills (Verbal, including presentations)
- Achievement Orientation
- Tenacity
- Self Confidence/Ability to Bounce Back
- Stress Tolerance

It is generally recommended to assess the candidate on 6 to 8 competencies, 3 out of which would be critical or 'knock-out' competencies, meaning thereby that if either of them is missing or weak, the candidate does not qualify to be a sales rep.

Chapter 7: Pricing

Price is one of the most important combinations of marketing and product, physical distribution, and promotion. It is clear that the price brings revenue to organizations. When an organization fixes the price of its product, they should keep their price objectives in mind. Customers are often more likely to associate the quality with the value of any product. According to Philip Kotler, before selling a product at a price, sellers should sell it at a price. This may not work and extend to pharmaceutical products.

Government has a responsibility to ensure the availability of medicines, especially life-saving at an affordable price without meeting the interest of pharmaceutical manufacturers. According to the Indian Brand Equity Foundation (IBEF, 2016), up from US $ 6 billion in 2005, the Indian pharmaceutical market improved by $ 42 billion by 2021 and could reach US $ 65 billion billion by 2024 and continue to grow to ~ US $ 120-130 billion by 2030. In August 2021, India's pharmaceutical market grew by 17.7% year-on-year, up 13.7% in July 2020. The total market revenue of US $ 20 billion, over the counter (OTC) and patented drugs makes 21 % and 9%, respectively (IBEF 2020). Revenue from the Indian pharmaceutical sector is given in Figure 1. When setting the price of any product features such as production costs, distribution costs, competitor supply, stop strategy, and targeted customer should be considered (April Maguire, 2021). To reduce the cost of health care, the Government of India is taking a number of measures. Indian pharmaceutical market with Rs. 98,000 million may face problems as a result of the Indian government's regulatory policy such as certain drug restrictions, price controls, and tax deductions.

7.1. Importance of Pricing

Choosing a pricing objective and associated strategy is an important function of the business owner and an integral part of the business plan or planning process.

It is more than simply calculating the cost of production and tacking on a markup. Pricing is one of the major components of your marketing plan, which is a component of a full business plan. Assigning product prices is a strategic activity. The price will impact how consumers view the product and whether they will purchase it. Price also helps differentiate your product from those of your competitors. However, the price you assign must be in line with your other marketing strategies and the product attributes. Whether or not you develop a formal marketing plan, performing some of the research necessary for a marketing plan prior to determining the pricing strategies you will implement is important.

The knowledge gained from the research will help in assigning appropriate prices to your products or services—prices that reflect the quality and attributes your product offers the consumer. Your marketing goals and knowledge of the industry, your competition, and the market are essential. Here are some questions you'll need to consider to help determine objectives and strategies that will contribute to the success of your business:

- **What mix of products are you offering?** The mix of products you have available will either limit or broaden the pricing strategies available for you to use. If you feel that a particular strategy would assist you in achieving your pricing objective, then you may want to consider making changes to your product mix.
- **Who or what is your target market?** The demographics of your target market will help you identify appropriate pricing objectives and strategies. Are target customers interested in value, quality, or low cost?
- **Are you distributing your product wholesale or retail?** Your method of product distribution can impact the pricing objectives and strategies you are able to use. Direct marketing gives you more control than wholesale marketing over how products are grouped, displayed, and priced.
- **What is the estimated life cycle of your product/service?** The life cycle of your product can impact your choice of pricing objectives and strategies. With a short estimated life cycle, it will be necessary to sell greater quantities of product or generate larger profit margins than with products where the life cycle is longer. Longer life cycles give you more time to achieve your pricing objective.
- **What is the projected demand for the product?** When demand for a product is expected to be high, you have more flexibility in choosing pricing strategies because customers are less likely to be concerned with price and packaging since they really want your product. For example, consider the prices people are willing to pay when new video game consoles debut.
- **Are there other entities, such as the government, that may dictate the price range for your product?** Some products, such as milk, have government-imposed regulations limiting the price that can be charged. Be familiar with any pricing regulations that apply to your industry or product.

7.2. Pricing objectives

Many pricing objectives are available for careful consideration. The one you select will guide your choice of pricing strategy. You'll need to have a firm understanding of product attributes and the market to decide which pricing objective to employ. Your choice of an objective does not tie you to it for all time. As business and market conditions change, adjusting your pricing objective may be necessary or appropriate.

How do you choose a pricing objective?

Pricing objectives are selected with the business and financial goals in mind. Elements of your business plan can guide your choices of a pricing objective and strategies. Consider your business's mission statement and plans for the future. If one of your overall business goals is to become a leader in terms of the market share that your product has, then you'll want to consider the quantity maximization pricing objective as opposed to the survival pricing objective. If your business mission is to be a leader in your industry, you may want to consider a quality leadership pricing objective. On the other hand, profit margin maximization may be the most appropriate pricing objective if your business plan calls for growth in production in the near future since you will need funding for facilities and labor. Some objectives, such as partial cost recovery, survival, and status quo, will be used when market conditions are poor or unstable, when first entering a market, or when the business is experiencing hard times (for example, bankruptcy or restructuring). Brief definitions of the pricing objectives are provided below.

a) Partial cost recovery

A company that has sources of income other than from the sale of products may decide to implement this pricing objective, which has the benefit of providing customers with a quality product at a cost lower than expected. Competitors without other revenue streams to offset lower prices will likely not appreciate using this objective for products in direct competition with one another. Therefore, this pricing objective is best reserved for special situations or products.

b) Profit margin maximization

Seeks to maximize the per-unit profit margin of a product. This objective is typically applied when the total number of units sold is expected to be low. Profit maximization—seeks to garner the greatest dollar amount in profits. This objective is not necessarily tied to the objective of profit margin maximization.

c) Revenue maximization

Seeks to maximize revenue from the sale of products without regard to profit. This objective can be useful when introducing a new product into the market with the goals of growing market share and establishing long-term customer base.

d) Quality leadership

Used to signal product quality to the consumer by placing prices on products that convey their quality.

e) Quantity maximization

Seeks to maximize the number of items sold. This objective may be chosen if you have an underlying goal of taking advantage of economies of scale that may be realized in the production or sales arenas.

f) Status quo

Seeks to keep your product prices in line with the same or similar products offered by your competitors to avoid starting a price war or to maintain a stable level of profit generated from a particular product.

g) Survival

Put into place in situations where a business needs to price at a level that will just allow it to stay in business and cover essential costs. For a short time, the goal of making a profit is set aside for the goal of survival. Survival pricing is meant only to be used on a short-term or temporary basis. Once the situation that initiated the survival pricing has passed, product prices are returned to previous or more appropriate levels.

7.3. Pricing Strategies

After selecting a pricing objective, you will need to determine a pricing strategy. This will assist you when it comes time to actually price your products. As with the pricing objectives, numerous pricing strategies are available from which to choose. Certain strategies work well with certain objectives, so make sure you have taken your time selecting an objective. Careful selection of a pricing objective should lead you to the appropriate strategies. If the pricing strategy you choose seems to contradict your chosen pricing objective, then you should revisit the questions posed in the introduction and your marketing plan. As a reminder, the diagram at the end of this publication illustrates which pricing strategies work well with each of the pricing objectives previously discussed.

Additionally, different pricing strategies can be used at different times to fit with changes in marketing strategies, market conditions, and product life cycles. For example, if you're working under a status quo pricing objective with competitive pricing as your strategy due to poor market conditions, and a year later you feel that the market has improved, you may wish to change to a profit margin maximization objective using a premium pricing strategy. Brief definitions of some pricing strategies follow.

Competitive pricing—pricing your product(s) based on the prices your competitors have on the same product(s). This pricing strategy can be useful when differentiating your product from other products is difficult. So, let's say you produce fruit jams such as blueberry, strawberry, blackberry, and raspberry. You may consider using competitive pricing since there are many other jams on the market and you are unable to differentiate your jams to an extent that customers may be willing to pay more for yours. Thus, if the price range for jams currently on the market is $1.45 to $1.85 per jar, you may price your jams at $1.65 per jar to fall in line with the competition. The strategy of competitive pricing can be used when the pricing objective is either survival or status quo. When the objective for pricing products is to allow the business to either maintain status quo or simply survive a difficult period, competitive pricing will allow the business to maintain profit by avoiding price wars (from pricing below the competition) or falling sales (from pricing above the competition).

Good, better, best pricing—charges more for products that have received more attention (for example, in packaging or sorting). The same product is offered in three different formats, with the price for each level rising above that of the previous level. For example, the manager of a farm market that sells fresh apples may place some portion of apples available for sale in a large container through which the customers have to sort to choose the apples they wish to purchase. These apples would be priced at the “good" price. Another portion of apples could also be placed in a container from which customers can gather, but these apples would have been pre-sorted to remove less desirable apples, such as those with soft spots. These would be priced at the “better" price. The “best" apples—those priced higher than the rest—may have been pre-sorted, just as the “better" apples, but have also been pre-packaged for customer convenience. As demonstrated in this example, the “better" and “best" levels require more attention by management or labor but, if priced appropriately, may be worth the extra effort.

This pricing strategy should be used when pursuing revenue maximization and quantity maximization objectives. Revenue maximization should occur as a result of quantity maximization. Quantity maximization should occur from the use of this pricing strategy because product is available to customers in three prices ranges.

Loss leader—refers to products having low prices placed on them in an attempt to lure customers to the business and to make further purchases. For example, grocery stores might use bread as a loss leader product. It you come to their store to purchase your bread, you are very likely to purchase other grocery items at their store rather than going to another store. The goal of using a loss leader pricing strategy is to lure customers to your business with a low price on one product with the expectation that the customer will purchase other products with larger profit margins.

The loss leader pricing strategy should be paired with either the quantity maximization or partial cost recovery pricing objectives. The low price placed on the product should result in greater quantities of the product being sold while still recovering a portion of the production cost.

Multiple pricing—seeks to make customers buy the product at greater prices by offering a small discount on a large price. In the price indicator, the purchase price for a single item is displayed along with the maximum value. For example, a farm market might cost one watermelon for $ 1.69 and two for $ 3.00. The price in this way gives the customer an obvious discount (in this case $ 0.38) to buy a larger price. Customers feel like they are getting a discount as $ 1.50 ($ 3.00 ÷ 2) is less than $ 1.69 for one melon. However, $ 1.50 is a price you would pay if you did not use a multi-priced strategy. If you think most of your customers will buy a large amount, you will want to enter a price tag so that your expenses are paid and your interest rate is maintained. A customer who buys a single item will pay more for an item than you would if you did not use a multi-priced strategy.

Multiplication pricing strategies work well for profit-making purposes and for value-added purposes. By persuading your customer to buy more than one item you are generating more profit as you set a price for one item to get a higher profit limit than you would normally buy. In fact, the customer is penalized for buying just one item. Additionally, bulk prices should increase the value of items sold, hopefully resulting in less product loss or fewer unsold items.

Optional product pricing—used to attempt to get customers to spend a little extra on the product by purchasing options or extra features. For example, some customers may be willing to spend a little extra to be assured that they receive product as soon as it becomes available. This can be an excellent strategy for custom operators. Let's say you are a custom operator providing forage harvesting services. Your base service option provides producers with basic harvesting. Available options that the producer could purchase in addition to the harvesting service could include trucking to the storage site, packing, preservative application, and serving as a member of the producer's advisory committee. The purchase of each of these options adds value to the service that the producer is receiving. With this strategy it is important that the extra fee for the option(s) is reasonable; otherwise, you may lose business to a competitor with a more appropriate pricing structure for the extra services offered.

Optional product pricing is best used when the pricing objective is revenue maximization or quality leadership. By enticing customers to purchase one or more of the options offered to them, you will be increasing your revenue since the customers may not have purchased the option if it were not offered or may have gone elsewhere to purchase it. By offering optional products to complement your base product or service, you are projecting an image of quality to your customers. They will likely recognize your offer of additional products or services as awareness of and sensitivity to their needs.

Penetration pricing—used to gain entry into a new market. The objective for employing penetration pricing is to attract and grow market share. Once desired levels for these objectives are reached, product prices are typically increased. Penetration prices will not garner the profit that you may want; therefore, this pricing strategy must be used strategically. Let's say you have created a new hot and spicy mustard product. Your market research indicates that the price range for competitors' mustards is $1.89 to $2.99. Since numerous mustards are already available and you are new to the mustard market, you decide to use penetration pricing to entice customers to purchase your mustard. Therefore, you price your mustard at $1.85 for the first six months because it covers your cost of production yet is lower than what you believe is a good price for your product and is below the lower end of the market range, which should entice people to purchase your mustard over the other higher-priced mustards.

The strategy of penetration pricing can be used when your pricing objective is either revenue or quantity maximization. The lower price set on products by using penetration pricing is done to entice the maximum number of customers possible to purchase your product. Large numbers of customers purchasing your product should maximize your revenue and the quantity of product sold. If the price were higher, you would expect fewer purchases, thus leading to lower revenues.

Premium pricing—is hired when the product you are selling is different and at a very high level, but you expect to sell only a small amount. These features require that a high value, or premium, be attached to the product. Consumers of such products generally consider them to be luxury and have little or no cost. The beauty of this price strategy is that you can make high prices to recoup big profits to make a smaller amount of sales. To illustrate, suppose you have a flock of sheep and you shear, dye, and weave your thread. Your thread is known in the industry as the highest quality. Some of the yarn you use to weave jerseys, blankets, and scarves. Since your thread and knitting are of the highest quality and you know you will probably not make and sell a large amount of your addictive items, you decide to rent the price. Your customers already know about the good quality of your cords or brackets that earn high prices, so they will probably pay the premium price for your high-quality manufactured products.

Premium prices can be used to increase interest rate or quality leadership price goals. The premium price charged for the variety and quality of your product allows you to produce generic profits for each item on sale. Your product will also reflect your commitment to quality, and customers will think of you when they wish for such quality.

Product bundle pricing—used to collect a few items together for sale. This is a useful pricing strategy for compatible, overcrowded, or old products. Customers who buy the product really want it, but gradually they get one or more extra items. The advantage of this pricing strategy is the ability to clear purchases. On the other hand, customers who do not wish for extra items may decide not to buy the bundle. This strategy is similar to the product line price, except that the aggregate items do not fit together. For example, you have leftover stock for Christmas-related items after the holidays. If you choose not to keep these items until next year, you can pack a variety of items in a small bag and sell the bag at a discounted price.

The price of a commodity may be used for revenue purposes or to increase value as a combination of products may result in the sale of products that may not have been sold. Good leadership can be achieved as some customers will be happy to have the opportunity to purchase a group of items at a discount. Partial reimbursement or survival targets can be achieved in the aggregation strategy where products cannot be sold otherwise and discounted products allow you to recoup a portion of the production costs or generate enough profit to stay on business or avoid releasing the product to market.

Product line pricing—used when a list of products or services is complementary and can be compiled to reflect the growing value. This pricing strategy is similar to most pricing strategies. However, instead of buying a large quantity for a single item, a customer buys a different item or service at a higher price which is considered a value compared to the price of each product or service. Suppose in your farm market you sell jam, syrups, and cake mixes, among other things. These items can be considered complementary as people often put jam and syrup on pancakes. In addition to selling each of these items, you can create a gift box that packs each item together. The price of this gift box will be slightly lower than the total customer can pay for each item individually.

The product line price works well with profit-making and quality leadership objectives as you maximize profits by promoting the purchase of a large number of products that may not have been purchased individually. Additionally, some customers will appreciate the ability to purchase a group of compatible products.

Skim pricing—similar to premium pricing, calling for a high price to be placed on the product you are selling. However, with this strategy the price eventually will be lowered as competitors enter the market. This strategy is mostly used on products that are new and have few, if any, direct competitors when first entering the market. Let's say you develop a carbonated, flavored, milk-based beverage packaged in 10-ounce plastic bottles. Since there are few drinks of this sort on the market, you could use skim pricing until more products come to market. Knowing that other similar beverage products will likely enter the market within a year or two, you may decide to price at $1.95 per bottle when your product debuts. Assuming that other similar beverages have come to market after a year, you then lower the price of your drink to $1.55 to remain competitive.

The skim pricing strategy should be reserved for when your pricing objective is profit maximization, revenue maximization, or profit margin maximization. Employing this strategy when your product is new on the market and there is no competition generates greater revenue, profit, and profit margins since you are the only one selling the product— customers must buy from you if they want what you are selling. You must use caution, though, so as to not price so high though those customers aren't willing to buy your product even though there are no competitors.

7.4. National Pharmaceutical Pricing Authority

Drug Price Control Order-2013

Introduction:

The Drugs (Price Control) Order i.e. DPCO is a part of New Drug Policy formed by Government of India which is extended to all parts of India.It has been enforced under section 3 of Essential Commodities Act, 1955. First DPCO came into force from 6th January 1995 which was then updated time to time. The latest DPCO – 2013 was issued on 15th May 2013.Earlier DPCOs were considered term 'Scheduled Drugs', where only the bulk drugs were mentioned in Schedule-I and prices were fixed by the Government for both bulk drug as well as formulations containing any of these bulk drugs.

However; DPCO-2013 uses word 'Scheduled formulation' to refer to medicines in its Schedule - I of order, since; some of the bulk drugs when used as a single ingredient also act as a formulation.Schedule-I of DPCO-2013 contains list of Scheduled formulations which is consist of the 'Essential Medicines' declared by the Government through its National List of Essential Medicines (NLEM)-2011. Therefore; NLEM forms the basis of deciding which medicines should come under price control via DPCO. DPCO brought both generic as well as branded formulations under control of price regulation with reference to DPCO-2013, total 348 drugs are enlisted in Schedule-I of Order.

Objectives:

To achieve adequate production and to secure equitable distribution of medicines. To ensure availability of essential medicines at affordable price with desired quality. To promote indigenous research in medicines.

Definitions:

- A**ctive pharmaceutical ingredients or bulk drug:** It means any pharmaceutical, chemical, biological or plant product including its salts, esters, isomers, analogues and derivatives, conforming to standards specified in the Drugs and Cosmetics Act, 1940 and which is used as such or as an ingredient in any formulation.
- B**rand:** It includes name, term, design, symbol, trademark or any other feature that help to differentiate one seller's drug as distinct from those of other sellers.
- C**eiling price**: It means a price fixed by the Government for Scheduled formulations in accordance with the provisions of this Order.
- **Dealer**: It means a person carrying on the business of purchase or sale of drugs, whether as a wholesaler or retailer and also includes his agent.
- **Distributor**: It means a person engaged in the work of distribution of drugs and includes an agent or a stockiest appointed for stocking drugs for sale to a dealer
- **Existing manufacturer:** means manufacturer existing on the date of publication of this order in the Official Gazette.
- **Formulation:** It means a medicine proceed out of or containing one or more bulk drug or drugs with or without use of any pharmaceutical aids for internal or external use or in the diagnosis, treatment, mitigation or prevention of disease in human beings or animals but it does not includes;

  i. Medicine include in Ayurvedic, Sidha or Unani Systems.

  ii. Homeopathic medicine.

  iii. Any substances of which the provision of Drug and Cosmetics Act 1940 do not apply.

- **Generic version of a medicine:** Itmeans a formulation sold as in pharmacopeia or the on the basis of name of the active pharmaceutical ingredient contained in the formulation, without any brand name.
- **Import**: it means bringing a drug into India from a place outside India.
- **Local taxes:** means any tax paid or payable to the Central Government or the State Government or any local body under any law for the time being in force by the manufacturer or his agent or dealer but it does not include excise or import duty included in retail price.
- **Manufacturer**: It means any person who manufactures or imports and markets drugs for distribution or sale in the country.
- **Market share:** Itmeans the ratio of domestic sales value calculated on the basis of moving annual turnover of a brand or a generic version of a medicine and the sum of total domestic sales value of the all brands and generic versions of that medicine sold in the domestic market having same strength and dosage form.
- **Margin to retailer:** It is a percentage of price to retailer to be obtained after selling of medicine.
- **Market based data:** Itmeans the data related to sales of a drug collected or obtained by the Government as deemed fit, from time to time.
- **Maximum retail price:** It means the ceiling price or the retail price plus local taxes and duties as applicable, at which the drug shall be sold to the ultimate consumer and where such price is mentioned on the pack.
- **Moving annual turnover:** in a particular month means cumulative sales value for twelve months in domestic market, where the sales value of that month is added and the corresponding sales of the same month in the previous year are subtracted;
- **National List of Essential Medicines:** means National List of Essential Medicines, 2011 published by the Ministry of Health and Family Welfare as updated or revised from time to time and included in the first schedule of this order by the Government through a notification in the Official Gazette.
- **New drug:** for this Order it means a formulation launched by an existing manufacturer of a drug of specified dosages and strengths as listed in the National List of Essential Medicines by combining the drug with another drug either listed or not listed in the National List of Essential Medicines or a formulation launched by

changing the strength or dosages or both of the same drug of specified dosages and strengths as listed in the National List of Essential Medicines.

- **Non-scheduled formulation**: It means a formulation, the dosage and strengths of which are not specified in the First Schedule.
- **Pharmacoeconomics:** It means a scientific discipline that compares the therapeutic value of one pharmaceutical drug or drug therapy to another.
- **Price to retailer:** It means the price of a drug at which it is to be sold to a retailer which includes duties but does not include any local taxes.
- **Retail price:** It means the retail price of a drug fixed in accordance with the provisions of this Order.
- **Retailer**: It means a dealer carrying on the retail business of sale of drugs to customers.
- **Scheduled formulation**: It means any formulation which is included in the First Schedule whether referred to by generic versions or brand name.
- **Wholesaler**: It means a dealer or his agent or a stockist engaged in the sale of drugs to a retailer, hospital, dispensary, medical, educational or research institution or any other agency.
- **Wholesale price index:** It means annual wholesale price index of all commodities as announced by the Department of Industrial Policy and Promotion, Government of India, from time to time.

Retail price and ceiling price of scheduled formulations as per DPCO 2013

Fixation of ceiling price of scheduled formulations:

The Government shall fix and notify the ceiling prices of the scheduled formulations in accordance with the provisions of order and thereafter no manufacturer shall sell the scheduled formulations at a price higher than the ceiling price plus local taxes as applicable so fixed and notified by the Government.

If any manufacturer sells a scheduled formulation at a price higher than the ceiling price fixed and notified by the Government then such manufacturers shall be liable to deposit the overcharged amount along with interest thereon from the date of such overcharging.

Part A- Calculation of ceiling price The ceiling price of a scheduled formulation of specified strengths and dosages as specified under the first schedule shall be calculated as under;

Step1. Calculation of Average Price to Retailer of the scheduled formulation i.e. P(s)

$$P(s) = \frac{\text{Sum of prices to retailer of all the brands and generic versions of the medicine having market share more than or equal to one percent of the total market turnover on the basis of moving annual turnover of that medicine}}{\text{Total number of such brands and generic versions of the medicine having market share more than or equal to one percent of total market turnover on the basis of moving annual turnover for that medicine}}$$

Step2. Calculation of ceiling price of the scheduled formulation i.e. P(c)

$$P(c) = P(s) \times \frac{1 + M}{100}$$

Where M = % Margin to retailer and its value fixed to 16

Note: The ceiling price calculated as above and notified by the Government shall be applicable to scheduled imported formulations.

Price of scheduled formulations for the existing manufacturers:

1. If the existing manufactures of scheduled formulations, selling the branded or generic or both the versions of scheduled formulations at a price higher than the ceiling price which is fixed and notified by the Government, shall revise the prices of all such formulations and reduce ceiling price accordingly.

However; if scheduled formulations produced or marketed before the date of notification of ceiling price then manufacturers shall ensure that the maximum retail price of such scheduled formulation will get reduce within a period of 45 days of the date of such notification.

2. If an existing manufactures of scheduled formulations, selling the branded or generic or both the versions of scheduled formulations at a price lower than the ceiling price so fixed and notified by the Government then they should maintain their existing maximum retail price.

Annual increase or decrease in maximum retail price should be carried out as per the increase or decrease in the wholesale price index with respect to previous year as per the provision of order.

Part B: Calculation of maximum retail price of a scheduled formulation:

Maximum retail price of scheduled formulations: It shall be fixed by the manufacturers on the basis of ceiling price notified by the Government plus local taxes wherever applicable.

Maximum Retail Price = Ceiling price + Local Taxes as applicable

Pricing of the formulations covered under Drugs (Prices Control) Order, 1995:

1. The prices of scheduled formulations, which are also specified in the First Schedule of the Drugs (Prices Control) Order, 1995, fixed and notified under the provisions of the said order, up to 31st May 2012, shall remain effective up to 30th May 2013 and the manufacturers may revise the prices of such scheduled formulations as per the annual wholesale price index for the previous calendar year announced by Department of Industrial Promotion and Policy and thereafter by using formula as discussed in Part A.
2. The prices of scheduled formulations, which are also specified in the First Schedule to the Drugs (Prices Control) Order, 1995 and notified after 31st May 2012, shall remain effective for one year from the date of notification of such prices under Drugs (Prices Control) Order,1995 and immediately thereafter the manufacturers may revise the prices as per the annual wholesale price index for the previous calendar year announced by Department of Industrial Promotion and Policy and on the 1st April of succeeding financial year by using formula as given in Part A for fixing the ceiling prices of such schedule formulations.
3. The prices of scheduled formulations those are specified in the Drugs (Prices Control) Order, 1995 up to 31st May2012 but not specified in the First Schedule of this order shall remain effective for further one year i.e. up to the 30th May 2013 and thereafter prices of such formulations shall be regulated as in case of other non-scheduled formulations.
4. The prices of scheduled formulations, which are specified in the Drugs (Prices Control) Order, 1995 after 31st May 2012 but not specified in the First Schedule of this order, shall remain effective for one year from the date of notification of such prices and thereafter prices of such formulations shall be regulated as in case of other non-scheduled formulations.

Price of formulations listed in the National List of Essential Medicines, launched by a manufacturer after commencement of order:

If a manufacturer want to launch formulation which is scheduled to this Order shall be free to fix the price of the scheduled formulation equal to or below the ceiling price fixed for that schedule formulation by the Government.

Revision of ceiling price of scheduled formulations:

The Government shall revise the ceiling prices of scheduled formulations as per the annual wholesale price index for preceding calendar year on or before 1st April of every year and shall notify the revised ceiling price on the 1st day of April of every year.

The manufacturers may increase the maximum retail price i.e. MRP of scheduled formulations in the month of April, on the basis of the wholesale price index with respect to previous calendar year. No prior approval of the Government is required in this regard.

However; upon such price revision, manufacturer shall forward the same to Government in Form-II within 15 days of such revision of MRP. If manufacturer fails to submit such information within stated period of time then manufacturer shall be liable to deposit the amount charged over and above the pre-revised MRP, along with interest thereon from the date of overcharging.

In case of decrease in wholesale price index manufacturer shall revised the MRP of such formulation within a period of 45 days from date of such notification and such information of revised price shall be sent to the Government in Form-II within a period of fifteen days of such revision. Failure of submission of such revised MRP information to Government shall be consider as non-reduction in maximum retail price (MRP) and the concerned manufacturer shall be liable to deposit the amount charged over and above the maximum retail price revised based on decrease in wholesale price index along with interest thereon as overcharged amount from the date of overcharging.

Fixation of retail price of a new drug for existing manufacturers of scheduled formulations:

The Government shall form a Standing Committee of Experts, as it may deem fit, within 60 days of notification of this order with a view to recommend the retail prices of new drugs on the principles of "Pharmacoeconomics".

If an existing manufacturer of a drug with dosages and strengths as specified in National List of Essential Medicines launches a new drug then such existing manufacturers shall apply for prior price approval of such new drug from the Government in Form-I.

On receipt of the application, if the new drug available in domestic market, the Government shall fix the retail price of the new drug in accordance as per the provision of order

If in case of unavailability of new drug in domestic market then Government shall forward the same to the Standing Committee of Experts who shall examine the application on the principles of "Pharmacoeconomics" and make recommendations of retail price of the new drug to the Government within 30 days of the receipt of application. On receipt of such recommendation, Government shall fix the retail price within thirty days and such price shall be applicable to all such applicant of new drug.

If existing manufacturer of scheduled formulation fails to apply for prior approval of the price of the new drug in Form-I, then in addition to penalty such manufacturer shall be liable to deposit the overcharged amount along with interest thereon from the date of launch of the new drug.

None of the existing manufacturer should sell such new drug at price higher than the retail price fixed by the Government for same. If any manufacturer is found to sell such new drug at higher price, then such manufacturer of the new drug shall be liable to penalty along with deposit of the overcharged with interest from the date of overcharge.

Calculation of retail price of a new drug for existing manufacturers of scheduled formulations:

Case I: If new drug is available in domestic market, then retail price of the new drug shall be calculated as discussed in Part A.

Case II: If new drug is not available in domestic market;

Step I fixation of the price to retailer: It shall be fixed by the Government on the principles of "Pharmacoeconomics" of the new drug, on the recommendation of a Standing Committee of Experts.

Step II: fixation of the retail price = Price to retailer + 16% margin on the price to retailer

The maximum retail price of a new drug: It shall be fixed by the manufacturers on the basis of retail price determined by the Government plus local taxes wherever applicable.

Maximum Retail Price = Retail Price + Local Taxes as applicable

Note:

Margin to retailer: While fixing a ceiling price of scheduled formulations and retail prices of new drugs, 16% of price to retailer as a margin to retailer shall be allowed.

Fixation of ceiling price of a drug under certain circumstances.- beside to anything contained in this order, the Government may, in case of extra-ordinary circumstances, if it considers necessary to do so in public interest, fix the ceiling price or retail price of any drug for such period, as it may deem fit and where the ceiling price or retail price of the drug is already fixed and notified, the Government may allow an increase or decrease in the ceiling price or the retail price, as the case may be, irrespective of annual wholesale price index for that year.

Power to Government to direct the manufacturers of active pharmaceutical ingredients or bulk drugs or formulations:

To achieve adequate availability and to regulate uniform distribution of drugs or in case of emergency Government may direct any manufacturer of any active pharmaceutical ingredient or bulk drug or formulation to increase the production and to sell such active pharmaceutical ingredient or bulk drug to such other manufacturer(s) of formulations and to direct formulators to sell the formulations to institutions, hospitals or any agency as the case may be.

Non–application of the provisions of this order in certain cases:

Under following cases the provisions of this order is not applicable for certain time period;

Case 1: If a manufacturer producing a new drug which is patented under the Indian Patent Act 1970, for a period of 5 years from date of production in country. Provided that it should be developed through indigenous Research and Development.

Case 2: In case of process patent if available with manufacturer then provision of this order is not applicable for a period of 5 years from the date of its production in country.

Case 3: Manufacturer producing a new drug involving a new delivery system developed through indigenous Research and Development, then provision of this order is not applicable for a period of 5 years from the date of its market approval in country.

National List of Essential Medicines (NLEM):

World Health Organization (WHO) defined ‘Essential Medicines’ as those medicines that satisfy the priority health care needs of population and an individual can afford it. While forming Essential Medicines List, WHO states to ensure three basic requirements viz. quality- to secure safety, quantity- to satisfy population of country and reasonable cost- to make them available at affordable cost.

Therefore; to form EML is national responsibility of each country. Ministry of Health and Family Welfare, Government of India took the initiative and prepared release first National List of Essential Medicines in 1996 containing 279 medicines. This list was updated time to time as per requirement of society. The NLEM-2003 had 354 medicines, while NLEM-2011 had 348 medicines. NLEM-2011 was considered as basis to form Scheduled-I of DPCO-2013. Later on total of 106 medicines have been added, and 70 medicines have been deleted to prepare NLEM 2015 which now contains a total of 376 medicines. Medicines in NLEM are listed with reference to the levels of healthcare, namely, Primary (P), Secondary (S) and Tertiary (T). NLEM 2015 is considered as best fit list and till June 2018, 851 medicines including medical devices viz. IUD, condoms, cardiac stents and drug eluting stents are regulated under revised NLEM-2015.

Schedules to DPCO-2013

Schedule I: NLEM

Schedule II: Forms as given below in table

Form No.	Application
I	For application for price fixation / revision of a new drug formulation related to NLEM formulation
II	For submission of revised-prices for scheduled formulations
III	For quarterly return in respect of production/import and sale of NLEM drugs
IV	For submission of the details in respect of discontinuation of the production and/ or import of scheduled formulation
V	For price list

Fixation of Sale prices of bulk drugs and calculation of Retail price of formulations as per DPCO 1995:

Definitions:

- **Pre-tax return:** It means profits before payment of income-tax and surtax and includes such other expenses as do not form part of the cost of formulation.
- **Capital employed:** It means net fixed asset plus working capital of manufacturer in relation to manufacture of bulk drug.
- **Net-Worth:** It means the paid-up share capital of a company plus free reserve, if any and surpluses excluding outside investment which are not readily available for operational activity.

1. Bulk drug

a. Sale price of bulk drugs:

- Under provision of DPCO 1995, in order to achieve objectives of this order Government has power to fix and also to revise maximum sale price of bulk drug.
- Without obtaining prior approval of its price from the Government, no manufacturer can sale his drug.
- While fixing the sale prices of such bulk drug Government shall take into consideration

1. A post tax return of 14% on net worth; or
2. A return of 22% on capital employed.
3. For new plant a return of 12% on long term marginal costing.
4. When company has their own production from their basic stage, a post tax return of 18% on net worth or 26% on capital employed

b. Power to direct manufacturer of bulk drugs to sell it to other manufacturer of formulation:

Government has power to direct any manufacturer to sell out bulk drug(s) to other manufacturer of formulation to achieve adequate production and regulate the equitable distribution of bulk drug(s).

2. Calculation of retail price of formulation:

The retail price of a formulation shall be calculated by the Government in accordance with the following formula:

$$\boldsymbol{R.P. = (M.C. + C.C. + P.M. + P.C.) \times \left(1 + \frac{MAPE}{100}\right) + ED}$$

Where;

R.P. - retail price.

M.C. - material cost which includes the cost of drugs and other pharmaceutical aids with overages plus process loss in accordance with the norms specified by notification in official Gazette.

C.C - conversion cost calculated in accordance with the norms specified by notification in official Gazette.

P. M. - cost of packing material including process loss thereon worked out with the norms specified by notification in official Gazette.

P.C. - packing charges worked out with the norms specified by notification in official Gazette.

MAPE - maximum allowable post manufacturing expenses shall not exceed 100% for indigenously manufactured scheduled formulation.

E. D. - excise duty

Note- in case of an ***imported formulation***, landed cost shall form the basis for fixing its price.

Therefore; **Landed cost = cost of import + customs duty + clearing charges**

References:

1. Philip Kotler and Kevin Lane Keller: Marketing Management, Prentice Hall of India, New Delhi.
2. Walker, Boyd and Larreche : Marketing Strategy- Planning and Implementation, Tata MC GrawHill, New Delhi.
3. Dhruv Grewal and Michael Levy: Marketing, Tata MC Graw Hill
4. Arun Kumar and N Menakshi: Marketing Management, Vikas Publishing, India
5. Rajan Saxena: Marketing Management; Tata MC Graw-Hill (India Edition)
6. Ramaswamy, U.S & Nanakamari, S: Marketing Managemnt:Global Perspective, Indian Context, Macmilan India, New Delhi.
7. Shanker, Ravi: Service Marketing, Excell Books, New Delhi
8. Subba Rao Changanti, Pharmaceutical Marketing in India (GIFT – Excel series) Excel Publications.

Pharma Marketing Management (As per PCI Syllabus)

ISBN: 978-93-91768-42-3

About Authors

Dr. D. S. Bhambere working as an Assistant Professor in the Department of Pharmaceuticals at MET's Institute of Pharmacy. He has done his Ph.D. on anticancer nanoparticles at Jaipur National University, India, in 2015. His research at MET's Institute of Pharmacy, Nashik, India, from 2009 till date is on particulate drug delivery, where he has formulated various particulate drug delivery systems containing various drugs. He has presented his research work on the same area in two international conferences at Kuala Lampur, Malaysia (2012) and Philadelphia, USA (2015). Also, He has published 15 research papers in particulate drug delivery. He has guided more than 20 M. Pharm Students. He is an approved faculty by Savitribai Phule Pune University.

Dr. S. P. Ahirrao working as an Assistant Professor in the Department of Pharmaceuticals at MET's Institute of Pharmacy. Graduate Aptitude Test in Engineering (GATE) conducted by Indian Institute of Technology (IIT) for admissions to Post Graduate program in Pharmacy (M. Pharm.) with a percentile score of 99.37 in the year 2005. She is an approved faculty member of SPPU, Pune for undergraduate as well as post-graduate students. She has guided more than 35 post-graduate students. She also has completed a research project funded by BCUD, University of Pune. She has long been associated with the research in the area of microparticles and nanoparticles associated with drug delivery. She has significant contribution in carrying out research projects on polymeric beads and micro and nanoparticles. Her research work is focused on the design and development of composites for various drugs in the form of nanoparticles or microparticles. Her current interests are in Solubility enhancement by solid dispersion, liquisolid compacts, nanocrystals, cocrystals.

Dr. Rani S. Kankate completed her graduation from Dr D. Y. Patil Institute of Pharmaceutical Sciences & Research,Pune,post graduation from NDMVP's college of pharmacy, Nashik and Ph.D from Jawaharlal Nehru Technological University, Hyderabad. Presentatly she is working as Assistant professor at MET's Institute of Pharmacy, Bhujbal Knowledge City, Nashik since 14 years. Her area of research include antipsychotic, anti-infective and anticancer drug research as well as API -process development and green chemistry. She has guided 18 M. pharm scholars for their research projects. She has received research grant of Rs. 3.1 lakhs from BCUD, Savitribai Phule Pune University, Pune She has 23 research publication and 1 patent to his credits and presented 32 paper in national and international conference. She is life member of APTI.

Dr. Umesh D. Laddha is currently working as an Assistant Professor in the Department of Pharmaceutics at MET's, Institute of Pharmacy, Bhujbal Knowledge City, Adgoan, Nashik Affiliated to Savitribai Phule Pune University, Pune. He has obtained his graduation (B. Pharm) and master's degree and Ph.D. from Savitribai Phule Pune University, Pune. He has total 7 years of academic experience. He is editor board member of International Journal of Ophthalmology & Visual Science (USA) and Asian Journal of Pharmaceutical Research (India). He is also working as reviewer for various Journals of Springer and Elsevier. He is author of 08 books, 02 edited books and 04 chapters. He has published 18 research and review articles in well reputed National and International journals. One Indian Patent and One International Patent is also in his credit and two are in progress. His profile is decorated with 11 awards like 'Young Scientist Award- Bronze medal', 'Researcher of the Year', 'Best Teacher Award' and many more. He has presented research work at various International and National conferences. He has worked on Nanotechnology based Drug Delivery Systems and Novel Drug Delivery Systems.

Bhumi Publishing

ISBN 978-93-91768-42-3
9 789391 768423